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COVER NOTE

From:	Ivan Rogers, Permanent Representative, UK Representation to the EU
date of receipt:	15 October 2015
To:	Mr Carsten PILLATH, Director General, Council of the European Union
Subject:	United Kingdom: Report on Effective Action, as laid down in Article 3(4a) of Council Regulation (EC) 1467/97 on action taken by United Kingdom in response to the Council's recommendation under Article 126(7) TFEU.

Delegations will find attached the second part of the Report on Effective Action, as laid down in Article 3(4a) of Council Regulation (EC) 1467/97 on action taken by United Kingdom in response to the Council's recommendation under Article 126(7) TFEU.

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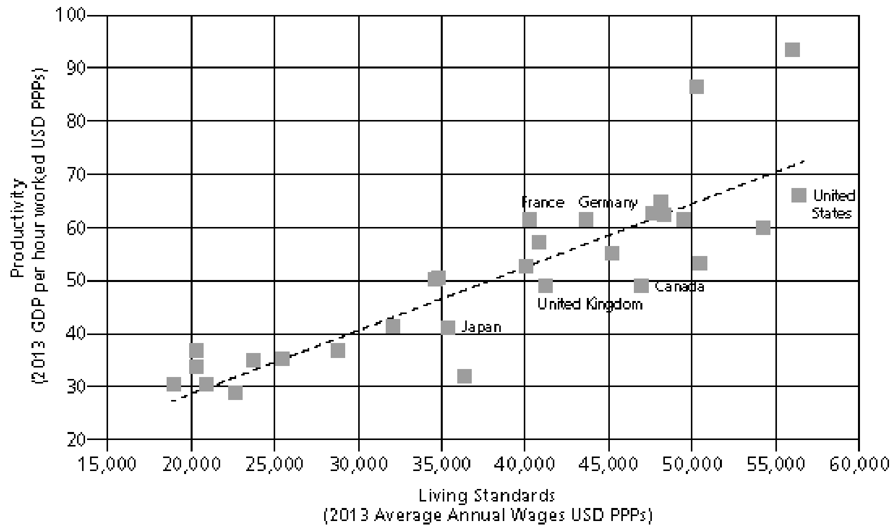
Backing business and improving productivity

1.233 Productivity is the most important determinant of living standards. The UK was the fastest growing economy in the G7 in 2014 and is forecast by the OECD to be the fastest again in 2015.[63] However, productivity remains too low – output per hour is 17% below the G7 average and is still behind that of Germany, France and the United States.[64] Boosting productivity presents a once in a generation opportunity to find an extra gear for the British economy, underpinning the UK's growth and living standards for years to come. In every member country of the OECD where average wages are above UK levels, productivity is also higher.[65]

Chart 1.19: Productivity and living standards



Source: OECD.

1.234 If the UK matched the productivity of the US, GDP would be 31% higher – equating to an extra £21,000 for each household.[66] This Budget addresses the productivity challenge head on to create a dynamic, open, enterprising economy supported by long-term public and private investment in skills, science and infrastructure. Full details will be set out in the government's productivity plan.

1.235 Productivity means creating a competitive environment in which businesses operate. This in turn allows businesses to create jobs and raise wages.

1.236 The government wants to go further to support business, enterprise and investment. That is why this Budget will:

- cut the UK's corporation tax rate to the lowest in the G20
- set the Annual Investment Allowance at its highest ever permanent level

[63] 'Quarterly National Accounts', ONS, June 2015; 'Economic Outlook no. 927', OECD, June 2015.
[64] 'International Comparison of Productivity', ONS, February 2015.
[65] OECD dataset: Average annual wages; OECD dataset: Level of GDP per capita and productivity
[66] HMT calculation: 2014 nominal GDP (YBHA) divided by 2014 ONS household estimates; 'Quarterly National Accounts', ONS, June 2015 and 'Families and Households', ONS, January 2015.
Note: GDP per household is not a household income metric as GDP also includes Gross Operating Surplus of corporations and other measures of domestic income/production.

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- create a Roads Fund through reforming vehicle excise duty for new cars, restoring it to its pre-2013 value
- fund new apprenticeships through a levy on large employers
- put higher education funding onto a more sustainable footing, with maintenance loans replacing grants saving £2.5 billion by 2020-21
- build a Northern Powerhouse and ensure the productive potential of all parts of the UK is realised

Backing business

1.237 In the last Parliament the government backed business by cutting corporation tax from 28% to 20%. The Employment Allowance reduced the cost of employer National Insurance contributions (NICs) for over 1 million employers, and over £4 billion of support was announced to business rates payers, particularly small businesses and retailers.[67] Businesses have taken the opportunity to create more jobs. Since 2010, more than 5 jobs have been created in the private sector for every job lost in the public sector.[68] Earnings continue to rise, up 2.7% over the year in the 3 months to April, the fastest growth in real wages since 2007.[69]

1.238 The government wants to go further, making the tax system simpler and less distortive, while maintaining competitive rates and predictable rewards for investment.

Competitive taxes

1.239 Overall the corporation tax cuts delivered since 2010 will save businesses £10 billion a year from 2016.[70] In this Parliament, the government will go further. **The corporation tax rate will be cut to 19% in 2017 and 18% in 2020**. These new cuts will save small and large businesses a further £6.6 billion by 2021, and will benefit 1.1 million businesses.[71] They will give the UK the lowest rate of corporation tax in the G20, making the country even more attractive to inward investors.[72]

1.240 In 2013, the government published analysis modelling the economic impact of the corporation tax cuts delivered during the last Parliament.[73] This analysis has been updated to reflect the additional benefit of the rate cuts announced today.[74] It suggests that cutting corporation tax from 20% to 18% could increase GDP in the long run by between 0.1% and 0.2% (£1.8 to £3.6 billion in today's prices) and that overall the cuts since 2010 could increase GDP by between 0.6% and 1% (£10.9 to £18.1 billion) in the long run. These numbers exclude the positive impact the cuts will have on inward investment. Adjusting for inward investment would mean that the overall cuts could boost GDP by between 0.7% to 1.1% (£12.7 to £19.9 billion).

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[67] Employment allowance take up: 2014-15 full year estimates, HMRC publication, April 2015 and fiscal event documentation from across the last Parliament.
[68] Labour market statistics, ONS, June 2015.
[69] Labour market statistics, ONS, June 2015.
[70] HMRC analysis.
[71] HMRC analysis.
[72] Global tax rates online, KPMG .
[73] Analysis of the dynamic effects of corporation tax reductions', HMT and HMRC, December 2013.
[74] HMRC Computable General Equilibrium model output and HMT analysis. The range of GDP impacts shown reflects varying the assumed elasticity of substitution between labour and capital by +/-50% around the central scenario (elasticity of 0.8).

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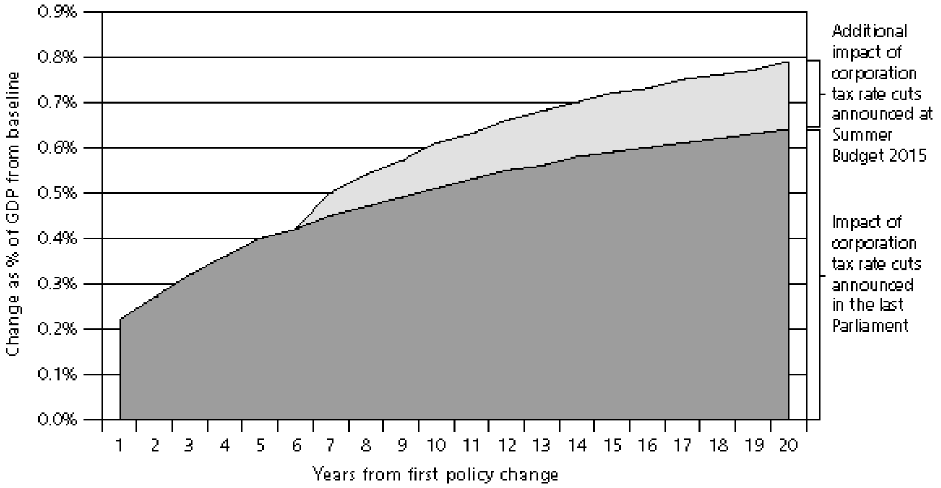
Chart 1.20: Difference in GDP level compared to baseline as a result of cuts in corporation tax



Notes: Central estimate, excluding Foreign Direct Investment adjustment.
Source: HMRC Computable General Equilibrium model output and HMT analysis.

1.241 With a strengthening economy, the government believes that now is the right time to take action to tackle low pay and ensure that lower wage workers can take a greater share of the gains from growth by introducing a new National Living Wage (NLW). To support businesses, particularly smaller ones, **the government will raise the NICs Employment Allowance from £2,000 to £3,000 a year from April 2016**. As a result, up to 90,000 employers will be taken out of paying NICs. This increased allowance means that firms employing up to 4 workers full time on the new NLW next year will not see their contributions increased.

1.242 The government will further support investment by small- and medium-sized firms by **increasing the permanent level of the Annual Investment Allowance (AIA) to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016, its highest ever permanent level**. The government commits to maintaining the AIA at this level for the rest of this Parliament, providing a cash flow benefit to companies who invest. Around 75% of the businesses who benefit are located outside of London and the South East, and the sectors with most companies benefitting will be manufacturing, wholesale and retail, and agriculture.[75]

1.243 This Budget also announces that **the government will make amendments to the tax-advantaged venture capital schemes** to ensure that the UK continues to offer significant and well-targeted support for investment into small and growing companies, with a particular focus on innovative firms.

1.244 The government recognises that businesses need certainty to enable them to plan and make long-term investments. To deliver this, **the government will publish a business tax roadmap by April 2016, setting out plans for business taxes over the rest of the Parliament. The government is also running a wide-ranging review of business rates**. This will be fiscally neutral and will be completed by the end of 2015. In addition, **the government has today published progress updates on action it is taking to improve the administration of business rates, including the appeals system, and on tackling business rates avoidance**.

[75] HMRC Analysis

Addressing complexity in the tax system

1.245 The government aims to have a tax system that is simple to understand and easy to comply with. **The government will establish the Office of Tax Simplification (OTS) on a permanent basis with an expanded role and capacity.** The new, expanded OTS will be put on a statutory footing in Finance Bill 2016, and will advise the government on how to deliver a simpler tax system, providing independent advice on options for addressing existing complexity in the tax system. **The terms of reference for the next OTS reviews on the closer alignment of income tax and NICs and the taxation of small companies will be published shortly.**

1.246 Following recommendations by the OTS, **the government will consult on simplifying the tax and NICs treatment of termination payments and the tax treatment of travel and subsistence. The government will also consult in autumn 2015 on abolishing Class 2 NICs and reforming Class 4 NICs.**

1.247 At March Budget 2015, the government announced it would transform tax administration for individuals and small businesses over this Parliament, leading to the end of the tax return. Small businesses will be able to manage their tax through a digital account linked to business software. HMRC will begin discussions with businesses and software providers about how best to integrate tax reporting and payment with everyday business activity, to inform **a roadmap the government will publish by the end of 2015 setting out the policy and administrative changes needed.**

Boosting productivity

1.248 A more productive economy requires the government to back competitiveness and prioritise investment in infrastructure and human capital. This Budget sets out reforms the government is making to achieve this. The full details of the government's actions will be set out in the productivity plan.

1.249 Supporting enterprise is a priority for the government. This year the government will lay final legislation requiring major UK banks both to share SME credit information with other lenders and to offer to share the details of SMEs rejected for a loan with online platforms that can match them to alternative finance providers. Alongside these reforms, the British Business Bank is increasing and diversifying the supply of finance available to SMEs, and aims to facilitate up to £10 billion of finance by 2019.

Modern transport infrastructure

1.250 The government believes that a modern infrastructure network is vital. By 2020-21, this government will have trebled investment in improvements to the national road networks compared to 2012-13 levels, investing over £28 billion in enhancements and maintenance of national and local roads.[76] To ensure that future roads investment is sustainable, **this Budget announces a reform to vehicle excise duty (VED) to create a new Roads Fund. VED will be reformed for cars registered from April 2017 to make it fairer for motorists and reflect improvements in new car CO_2 emissions.** The new VED system will be reviewed as necessary to ensure that it continues to incentivise the cleanest cars.

1.251 From 2020-21 the government guarantees that all revenue raised from VED in England will be allocated to a new Roads Fund and invested directly back into the strategic road network. Further details of the VED reform are set out in paragraph 2.145.

[76] 'Action for Roads', DfT, July 2013 and 'Investing in Britain's Future', HMT, June 2013

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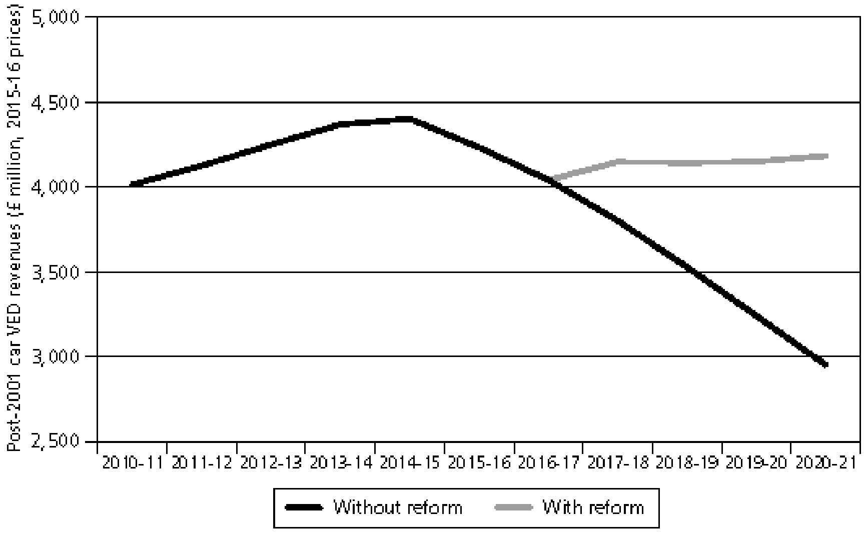
Chart 1.21: Stabilising car VED revenues through reform



Source: HMRC, drawing on data on scrappage rates and new cars sold provided by DfT.

1.252 Demonstrating an ongoing commitment to stable investment, **the government will publish a second Road Investment Strategy by the end of this Parliament**, building on the first published in December 2014.

1.253 Over the last 10 years, rail passenger journeys in Great Britain have increased by 57% and today over 4.3 million journeys are made by rail each day.[77] To support this level of growth, the government has committed to upgrading the railway and bringing this largely Victorian asset into the 21st century, including by spending £38 billion on the railways over the 5 years to 2019.[78] As problems at Network Rail have become clear, the government has acted to put the rail investment programme back on track.

1.254 Specifically, **the government has appointed Sir Peter Hendy, formerly the Commissioner of Transport for London, as the new Chairman of Network Rail**. The government has asked Sir Peter Hendy to bring to bear his experience and expertise and do what is necessary to ensure Network Rail can deliver effectively and operate the railways safely, and in particular to **report by autumn 2015 with a plan to get the rail investment programme back onto a sustainable footing**.

1.255 The government will also take further action to improve incentives and drive improvements in Network Rail and the wider rail industry:

- the government has asked Sir Peter Hendy and Mark Carne, Chief Executive of Network Rail to continue with the work started in Network Rail to **devolve more power to route managers closer to the front line**, so that the railways are more focussed on delivering what passengers need and to drive comparative benchmarking of the efficiency and effectiveness of individual routes – to drive up performance across the network
- the government will also **change the way it channels public money through the industry, directing it through the train operating companies**, so that Network Rail focuses firmly on the needs of train operators, and, through them, passengers – this will

[77] Passenger Rail Usage statistics, Office of Rail and Road, June 2015.
[78] 'Delivering a better railway for a better Britain', Network Rail, March 2014

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put the customers of the railway back in the driving seat in demanding efficiency and improvements that matter to them, making the best use of scarce capacity on the rail network

- the government will **introduce a new approach to station redevelopment and commercial land sales on the rail network**, building on the experience of regenerating land around Kings Cross Station and Stratford in East London – the government will establish a dedicated body to focus on pursuing opportunities to realise value from public land and property assets in the rail network to both maximise the benefit to local communities and reduce the burden of public debt

1.256 Looking further ahead, **the government has also asked Nicola Shaw, Chief Executive of High Speed 1, to advise the government on how it should approach the longer-term future shape and financing of Network Rail**. Nicola Shaw will work closely with Sir Peter Hendy in conducting her work, which will be concluded before Budget 2016.

Reliable, affordable and low carbon energy

1.257 The government will continue to promote the low carbon investment and innovation needed to support global action on climate change, focussing on the best value for money policies to keep costs down for consumers. The government will push for a global climate deal later this year that keeps the goal of limiting global warming to 2 degrees firmly within reach.

1.258 The government also aims to develop a simple, fair and more efficient energy environment for business that minimises administrative burdens and improves incentives for business to invest and grow. **The government will review the business energy efficiency tax landscape and consider approaches to simplify and improve the effectiveness of the regime**. A consultation will be launched in autumn 2015.

1.259 To help reduce costs for energy consumers, **the government will publish proposals on extending competitive tendering to onshore electricity transmission assets**. This could save consumers around £390 million over the next 10 years.[79]

1.260 The government welcomes the provisional findings of the Competition and Markets Authority's energy market investigation. It is important that as many consumers as possible are on the best available deal, in order to save money on their energy bill. To help enable this, the government aims to introduce 24 hour switching by the end of 2018 and will also act to improve trust in the switching process.

1.261 The government believes in making the most of the UK's oil and gas resources, including the safe extraction of shale gas. Building on action set out in the March Budget 2015, **the government will expand the North Sea investment and cluster area allowances to include additional activities which will maximise economic recovery**. The government will also bring forward proposals for a sovereign wealth fund for communities that host shale gas development.

1.262 **This Budget also announces the removal of the Climate Change Levy exemption for renewable electricity**. This change will correct an imbalance in the tax system by preventing taxpayers' money benefitting renewable electricity generated overseas, and by helping ensure support for low carbon generation provides better value for money for UK taxpayers.

World class universities

1.263 Britain's universities are one of the jewels in the crown of the economy and are vital to the country's future. The UK has 4 of the world's top 10 universities, second only to the US.[80]

[79] DECC internal management information.
[80] QS World University Rankings, 2014-15.

Since 2010 student participation has increased and there is now a higher proportion of students from disadvantaged backgrounds applying to and entering higher education than ever before. The government has also committed for the first time to remove the cap on student numbers, enabling thousands more students to enjoy the returns that higher education brings.

1.264 There is evidence that students are more concerned about the level of support they receive while studying than the long-term repayment of their income contingent loans.[81] **Maintenance loan support will rise for students from low and middle income backgrounds up to £8,200 a year** for those who are studying away from home, outside London. This is the highest level ever.

1.265 But the expansion of higher education relies on funding being put onto a sustainable footing. The government must therefore ask graduates to meet more of the cost of their degrees once they are earning. From the 2016-17 academic year, **maintenance grants will be replaced with maintenance loans for new students from England**, paid back only when their earnings exceed £21,000 a year, saving £2.5 billion by 2020-21. To ensure that the long term costs of the student loan book remain affordable and transparent, the government will **consult on freezing the loan repayment threshold for five years and review the discount rate applied to student loans and other transactions** to bring it into line with the government's long-term cost of borrowing.

1.266 Driving up the quality of higher education is also important, and this Budget announces a number of measures to address this. These include **allowing institutions offering high teaching quality to increase their tuition fees in line with inflation from 2017-18, with a consultation on the mechanisms to do this.**

1.267 Supporting the UK's research base to deliver continued excellence, as well as driving the commercialisation of findings, is a priority for this government. The government will deliver on the science capital commitment, investing £6.9 billion up to 2021 in infrastructure to investigate the great challenges of today, whether domestic, internatonal or in space.[82] **The government will invite universities, cities, LEPs and businesses to map strengths and identify potential areas of strategic focus for different regions through a series of science and innovation audits**. The government encourages universities to strengthen local collaboration and will continue to reward proposals which build on regional strengths, including through funding streams such as the Research Partnership Investment Fund. The government will set out further details on this at the Spending Review.

1.268 The government has also created an extensive network of Catapult centres bringing together businesses, scientists and engineers to drive the commercialisation of technology. Innovate UK, working with Research Councils, has now identified further areas where a Catapult might be the right way to ensure the UK is at the forefront of commercialising technologies which offer global opportunities, and will come forward with proposals shortly.

Apprenticeships

1.269 The most successful and productive economies in the world are committed to developing vocational skills. That is why **the government has committed to significantly increase the quantity and quality of apprenticeships in England to 3 million starts this Parliament**, putting control of funding in the hands of employers.

[81] 'Student Funding Panel: an analysis of the design, impact and options for reform of the student fees and loans system in England', Universities UK, June 2015
[82] 'Allocations of science and research funding 2015-16', BIS, May 2014

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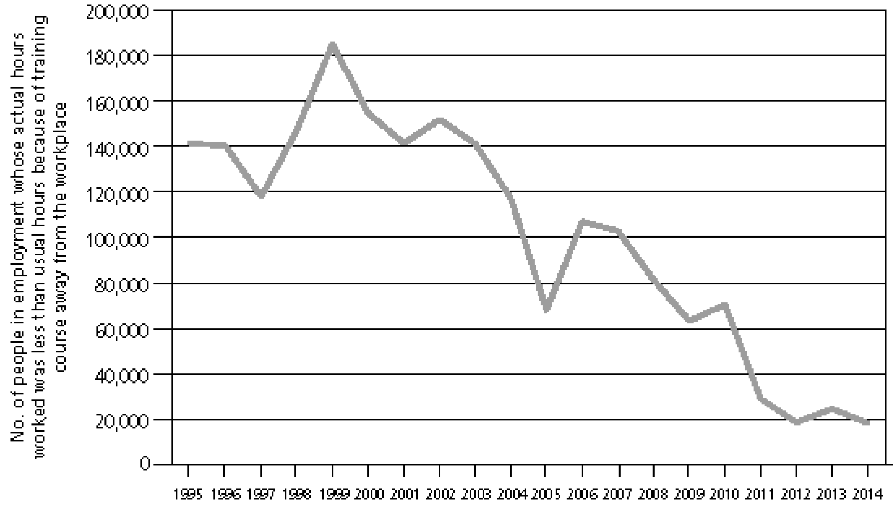
Chart 1.22: Number of employees attending training outside their workplace: Labour Force Survey



Source: Office for National Statistics, Labour Force Survey.

1.270 This goal will require funding from employers. In recognition of this, **the government will introduce a levy on large UK employers to fund the new apprenticeships.** This approach will reverse the long-term trend of employer underinvestment in training, which has seen the number of employees who attend a training course away from the workplace fall from 141,000 in 1995 to 18,000 in 2014.[63]

1.271 The levy will support all post-16 apprenticeships in England. It will provide funding that each employer can use to meet their individual needs. The funding will be directly controlled by employers via the digital apprenticeships voucher, and firms that are committed to training will be able to get back more than they put in. There will be formal engagement with business on the implementation of the levy, which will also consider the interaction with existing sector levy boards, and further details will be set out at the Spending Review.

[63] Labour Force Survey, ONS.

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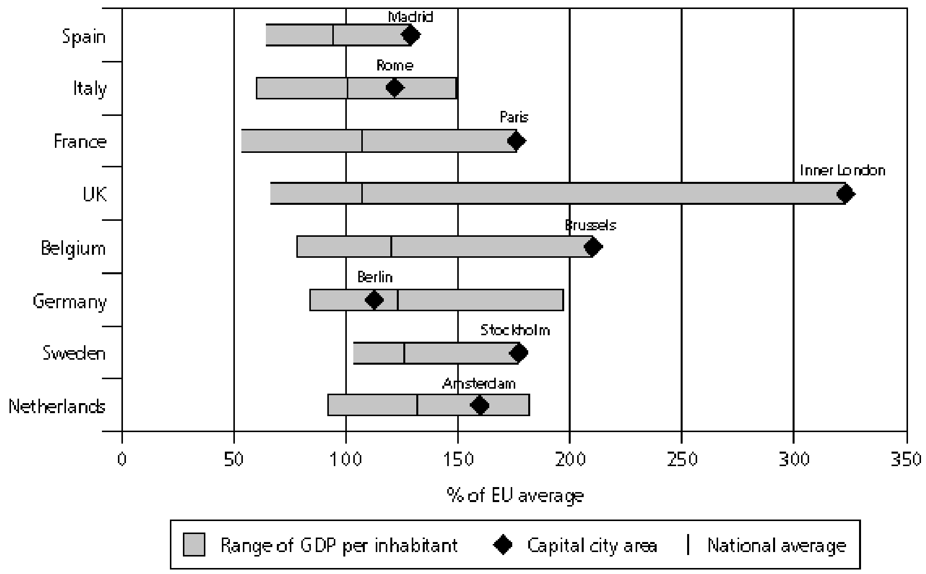
Ensuring a truly national recovery

1.272 The government is committed to delivering a truly national recovery. Over decades, the economy has become unbalanced. Economies like Germany and the US have economic power spread much more evenly. In 2010, London accounted for 28% of UK GDP, whilst Berlin and New York accounted for much smaller shares, at 5% and 7% of their respective national GDP.[84] The gap in labour productivity between the UK's two largest city economies, London and Manchester, is larger than in any other G7 country.[85] In fact, it is more than double the gap between the two largest city economies in both Germany and Japan. The government is determined to change this.

Chart 1.23: Range of GDP per person across regions in EU countries



Source: Eurostat online database. GDP per inhabitant (PPS), NUTS 2 regions (NUTS 2 divides the EU into areas with populations between 800,000 and 3 million).

Scotland, Wales and Northern Ireland

1.273 In Scotland, Wales and Northern Ireland, many of the levers available to promote and support economic growth are devolved responsibilities of the Scottish Government, Welsh Government and Northern Ireland Executive. Where responsibilities are retained at the UK level, the government will continue to deliver for the whole of the UK, ensuring the benefits of the union – a strong currency, the single UK market, and vital economic stability and security – are felt in every part of the country.

1.274 The government continues to deliver against its commitment to devolve further powers to Scotland, Wales and Northern Ireland, ensuring that each administration has the appropriate levers to take decisions to address their specific challenges and opportunities. It has also set out its plans for delivering English votes on key issues, including tax and spending powers.

[84] 'Metropolitan eXplorer', Organisation for Economic Co-operation and Development, October 2013.
[85] 'Metropolitan eXplorer', Organisation for Economic Co-operation and Development, October 2013.

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1.275 Following the publication of the Smith Commission report, the Scotland Bill was introduced to Parliament on 28 May 2015. Discussions have also begun on a revised fiscal framework for the Scottish Government, with the aim of completion by autumn 2015. As a result, the Scottish Parliament will become one of the most powerful devolved legislatures in the world. The Bill ensures that Scotland and the rest of the UK will continue to benefit from the UK's successful single market, the pooling of resources and the sharing of risks.

1.276 The government is committed to taking forward the St David's Day agreement for Wales to the timetable set out in the Command Paper.[86] This includes implementing a funding floor at the Spending Review in the expectation that the Welsh Government holds a referendum on the devolution of income tax.

1.277 The devolution of Air Passenger Duty (APD) to the Welsh Assembly will continue to be considered alongside the review of options to mitigate the impacts of APD devolution on regional airports. **The government is publishing a discussion paper on regional airports alongside the Budget, setting out how some of the options could work.**[87]

1.278 Levels of public spending per head in Northern Ireland remain higher than any other UK country or region.[88] The government and the Northern Ireland Executive remain committed to the objective of rebalancing the Northern Ireland economy. Targeted support has been provided in recent years through the 2013 'economic pact' 'Building a Prosperous and United Community', and the significant financial package offered in December 2014 as part of the Stormont House Agreement. This offers £2 billion of additional spending power. It is critical that the Northern Ireland parties deliver on the commitments they made at Stormont House, to ensure that the potential of the Agreement to support recovery and growth is realised.[89]

1.279 This government is also committed to ensuring that where devolved and non-devolved responsibilities overlap and interact, local communities and their leaders play a key role in identifying opportunities for growth. Implementation of the City Deal for Glasgow and the Clyde Valley is now well under way, alongside early stages of work towards the City Deals for Cardiff, Aberdeen and Inverness announced in the March Budget 2015.

1.280 The government has announced that it will introduce 'English votes for English laws' to ensure a balanced settlement in which every part of the UK has a fair say. But English MPs will now have a veto in Westminster when debating matters that have been devolved to the Scottish Parliament or the Welsh or Northern Ireland Assemblies. The proposals will also give the decisive say over tax measures to MPs whose constituents are affected by those changes once further planned devolution to Scotland takes place. Subject to the approval of the House of Commons, this new process will be in place before the Budget in 2016.

Regional rebalancing

1.281 The government is committed to raising the long-term rate of growth throughout England. Good progress was made over the last Parliament. By 2015, there were 1.2 million more private sector jobs in England outside London and the South East than in 2010, supported by the government's investment in transport, science and skills.[90] According to the latest data, output per head grew faster in the North than in the South in 2013. The North East, North West, West Midlands and Wales all grew faster per head than London and the UK average.[91]

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[86] www.gov.uk.
[87] www.gov.uk.
[88] www.gov.uk.
[89] www.gov.uk.
[90] Regional Labour Market, June 2015, ONS (excluding effects of major reclassifications).
[91] ONS (Regional Gross Value Added (Income Approach) NUTS 1) and HMT calculations.

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Employment in the North West has risen faster than in any other region over the last year, adding almost 100,000 new jobs.[92]

1.282 In the last Parliament, the government set out regional Long Term Economic Plans. This Budget builds on those plans with further commitments.

Regional levers of growth

Devolution

1.283 To fulfil its commitment to rebalance the economy and further strengthen the Northern Powerhouse, the Budget announces that **the government is working towards further devolution deals with the Sheffield City Region, Liverpool City Region, and Leeds, West Yorkshire and partner authorities,** to be agreed in parallel with the Spending Review. If agreement is reached, including on an elected mayor working with local leaders to oversee new powers devolved from ministers, these city regions will be granted significant additional powers and the opportunity to take control of their own affairs to support economic growth.

1.284 Building on the ground-breaking devolution deal agreed in November 2014, **the government is making further progress on devolving powers to Greater Manchester**. This includes putting Fire Services under the control of the new directly-elected Mayor, establishing a Greater Manchester Land Commission, granting the city region more powers over planning subject to the agreement of the Cabinet member representing the district in which the power is used, and inviting discussion of how central government and the city region might collaborate further on children's services and employment programmes.

1.285 The government intends to support towns and counties to play their part in growing the economy, offering them the opportunity to agree devolution deals, and providing local people with the levers they need to boost growth. **The government is working with towns and counties to make these deals happen and is making good progress towards a deal with Cornwall.**

1.286 The government welcomes efforts by local areas to strengthen their governance, and strongly supports the recent publication of a West Midlands Statement of Intent for devolution, which sets out ambitious proposals for a strong and coherent West Midlands combined authority.[93] The government is also pleased to have received two Combined Authority proposals from local authorities in the East Midlands.

1.287 The government remains open to any further proposals from local areas for devolution of significant powers in return for a mayor, in time for conclusion ahead of the Spending Review.

Local economies

1.288 **The government is inviting bids for a new round of Enterprise Zones**. The existing Enterprise Zones have supported the creation of over 15,000 jobs throughout England.[94] This new round will focus on ensuring that all places in England can benefit, including rural areas where appropriate, and the government encourages towns and districts to work with LEPs to develop bids.

1.289 To ensure that local areas have a greater say over their own economies, **the government will consult on devolving powers on Sunday trading to city mayors and local authorities**. This will look at allowing mayors or councils to extend Sunday trading for additional hours within parameters that they would determine.

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[92] Regional Labour Market, June 2015, ONS
[93] www.westmidlandscombinedauthority.org.uk
[94] http://enterprisezones.communities.gov.uk

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1.290 The government will continue to support community-led growth in coastal areas and **this Budget extends the Coastal Communities Fund by at least £90 million until 2020-21**. This is subject to confirmation of future funding arrangements which will be determined at Spending Review 2015.

Skills and infrastructure

Skills

1.291 **The government will also introduce new Regius Professorships** in order to recognise excellence in universities across the UK. The government will launch a competition later this year, with a view to making awards in early 2016 to celebrate the Queen's 90th birthday.

1.292 To support innovation throughout the country, **the government will invest £23m in 6 Next Generation Digital Economy Centres over 6 sites (London, Swansea, Newcastle, Nottingham, York and Bath)**, leveraging £22 million of additional funding, and partnering with LEPs, regional councils, and local SMEs. These centres will exploit opportunities across sectors of the digital economy including the creative industries, finance, healthcare and education.

1.293 Innovation is key to the UK's high growth creative industries, where the UK leads the world in areas from cutting-edge visual effects technology to architectural experimental techniques now used globally. Creative industries are worth £76.9 billion of GVA and employ 1.8 million people. The government has introduced new tax reliefs to support the production of high-end television, animation, video games, theatre and children's television, and expanded the successful film tax relief. As announced at March Budget 2015, the government will introduce a new tax relief for orchestras at a rate of 25% on qualifying expenditure from 1 April 2016.

1.294 Furthermore, to provide specialist higher-level training in sectors that are critical to economic growth, **the government has committed to the establishment of a network of National Colleges.** Once established the National Colleges will provide high quality professional and technical routes into employment throughout the UK.

1.295 All regions of England have particular strengths in science and innovation. **The Budget announces that the government will invite universities, LEPs, businesses and cities to work with central government to map strengths and identify potential areas of strategic focus for different regions through a series of science and innovation audits.** The government invites universities to develop proposals for supporting local collaboration, building on successful university collaborative partnership models such as the N8, M6 and GW4, to be supported through funding streams such as the next £400 million round of the Research Partnership Investment Fund, and will set out further details at the Spending Review.

Transport

1.296 To support working people across the country, the government will cap regulated rail fares at RPI for the remainder of this Parliament.

1.297 The government invested over £40 billion in transport over the last Parliament, and has committed to over £56 billion in transport infrastructure this Parliament. In response to the recent problems at Network Rail, the government has appointed Sir Peter Hendy to get this Parliament's rail investment programme back on a sustainable footing, alongside other reforms to make Network Rail a more focussed commercial body. In the last Parliament, the government invested £259 million through the 'pinchpoints' fund.[95] **The government is now committing**

[95] www.gov.uk.

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a further £3.5 million to address the remaining areas identified through this scheme, including £2 million for the Treluswell Junction improvement in Cornwall, and £1.5 million for the A4123 Birmingham New Road / Shaw Road Junction to help unlock the development of housing on 6 sites in Wolverhampton. In addition, the government is committing £14 million to local road maintenance improvements; £5.5 million for maintenance and upgrade of the Swanswell Viaduct, £3 million for Tameside Metropolitan Borough Council to make structural improvements to walls around local roads and £5.8 million for the A666 Highways Maintenance Scheme in Bolton.

1.298 The government will run a further round of the New Stations Fund with up to £20 million in total available for projects.

Northern Powerhouse

1.299 In the last parliament, the government committed to build a Northern Powerhouse. The Northern Powerhouse is a vision based on the solid economic theory that while the individual cities and towns of the north are strong, if they are enabled to pool their strengths, they could be stronger than the sum of their parts. In 2015, there were 320,000 more people in work in the North than in 2010, approximately equivalent to the population of Wigan, and there were 119,400 more businesses than in 2010.[96]

1.300 Cities require high-quality transport if they are to be successful, as well as the powers to deliver a fully integrated public transport system that truly serves the needs of their residents and businesses. The government also recognises that transport plays a vital role outside major city regions in meeting the needs of local communities as well as driving economic growth. The government is committed to significant transport devolution in all of the country's city regions that elect a Mayor, as well as the country's counties. This includes the roll-out of Oyster-style smart and integrated ticketing systems that will provide people with quicker and easier door-to-door journeys, greater choice, as well as simpler and more flexible fares.

1.301 Building on the government's commitments set out in Chapter 2 to improve transport connections throughout the country, the government is launching an ambitious new transport devolution package for the North to take the Northern Powerhouse to the next stage and create a single northern economy that is genuinely stronger than the sum of its parts. Building on the Northern Transport Strategy that was jointly published by the government and Transport for the North (TfN) earlier this year, the government is now committing to:

- devolving far reaching powers over transport to the North's Mayor-led city regions to deliver fully integrated public transport systems, supported by smart and integrated ticketing technology
- establishing TfN as a statutory body with statutory duties to set out its transport policies and investment priorities in a long-term transport strategy for the North, underpinned by £30 million of additional funding over three years to support TfN's running costs and enable them to advance their work programme
- appointing an interim Chief Executive and executive team for TfN by autumn 2015 to accelerate TfN's work programme, and appointing a Chair by the end of the 2015, with an update on the Northern Transport Strategy to be published by Budget 2016
- working with TfN to advance the introduction of Oyster-style smart and integrated ticketing across bus, tram, metro and rail services throughout the region, making this one of the top priorities for TfN's newly accelerated work programme

[96]Regional Labour Market, June 2015, ONS; Mid-year population estimates 2014, ONS; Business population estimates 2014, ONS.

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- **working with TfN to push forward plans to transform east-west rail and road connections via TransNorth and options for a new TransPennine Tunnel**, with a prioritised list of scheme options to be produced by Budget 2016, and an interim report in time for the Spending Review later in 2015

1.302 The government is improving road connectivity in the North by upgrading the A628 and dualling the A61, and by upgrading the final stretch of the M1/A1 route between Newcastle and London to motorway. **The government will look into the case for renaming the A1(M) north of Leeds as the M1. The A1 will be dualled north of Newcastle as far as Ellingham, and access to the Port of Immingham will be improved with upgrades to the A160/A180.**

1.303 The government is looking at extending Mersey Gateway bridge toll discounts to residents of Chester West & Chester and Warrington, with final decisions to be made in early 2016. In addition, the government will work with relevant local partners carrying out a review of the tolls on the Mersey tunnels.

1.304 The government is making good progress to deliver Health North, which will go live in autumn 2015. It is creating 'Connected Health Cities' across the North, assembling experts and technology to provide better care for patients promoting innovation through analysis of data on the effectiveness of different drugs, treatments and health pathways.

Midlands – Engine for Growth

1.305 The government is committed to backing the Midlands to ensure it is Britain's engine for growth. The government will build on the progress made in the Midlands during the course of the last Parliament when 83,300 more businesses were created in the Midlands, and the claimant count was halved.[97]

1.306 The government reaffirms its commitment to £5.2 billion of transport investment in the Midlands in this Parliament. To support the development of a pan-regional transport approach in the Midlands, **the government is committing £5 million of additional funding for Midlands Connect** to help develop its vision and strategy for transforming transport connectivity across the region in order to drive economic growth.

1.307 The extended round of the New Stations Fund will be used to support a local bid for stations on the Robin Hood Line to Edwinstowe and Ollerton, subject to a business case.

1.308 Andy Street, Chair of the Greater Birmingham and Solihull LEP (GBSLEP), has championed the opportunity to maximise the local benefits of HS2 for the area. This includes the extension of the Midlands Metro. Work on the next phase of the extension, taking it to New Street Station, is currently in construction and due to be completed by the end of the year. Further extensions to the east and west of New Street Station are in the programme for delivery over the next few years. The ambition to extend the Metro even further is a key part of the GBSLEP HS2 Growth Strategy and the government looks forward to considering proposals when they have been developed further.

1.309 In the Long Term Economic Plan for the Midlands, the Chancellor committed to working with the Midlands LEPs to support a regional approach to skills. The government will work with LEPs, the local partners and the emerging combined authorities to scale up this work across the Midlands, looking to agree a clear and detailed delivery plan in autumn 2015.

[97]Business population estimates 2014, BIS; Regional Labour Market, June 2015, ONS.

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Figure 1: Boosting investment across the UK

NORTHERN IRELAND

- Aiming to facilitate the rebalancing of the Northern Ireland economy alongside the Northern Ireland Executive
- Over £2bn of additional spending power as part of the Stormont House Agreement, if the parties deliver on their commitments
- Legislated for devolution of corporation tax rate setting powers to the Northern Ireland Assembly

SCOTLAND

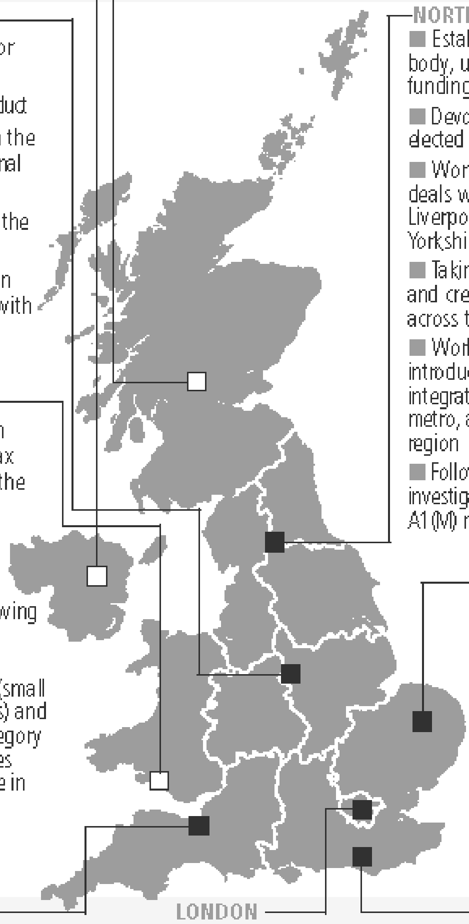
- Strengthening the Scottish government's existing powers to deliver jobs and growth through greater tax and welfare devolution, through the Scotland Bill
- Working with the Scotttish government and local partners towards City Deals for Aberdeen and Inverness, following the City Deal for Glasgow and the Clyde Valley
- Lowering the tax burden on the oil and gas industry, by introducing a new Investment Allowance and reducing the headline rates of tax, to support further investment in the North Sea

MIDLANDS

- Allocating £5m of funding for Midlands Connect
- Upgrading the Swanswell Viaduct
- Committing to working with the Midlands LEPs to agree a regional skills strategy in the Autumn
- Supporting the extension of the Birmingham enterprise zone
- Piloting enterprise advisors in Birmingham schools, working with existing job coaches to support routes into employment

NORTHERN POWERHOUSE

- Establishing TfN as a statutory body, underpinned by £30m of funding
- Devolving further powers to the elected mayor of Greater Manchester
- Working towards further devolution deals with the Sheffield City Region, Liverpool City Region, and Leeds, West Yorkshire and partner authorities
- Taking Health North to the next level and creating 'Connected Health Cities' across the North of England
- Working with TfN to advance the introduction of Oyster-style smart and integrated ticketing across bus, tram, metro, and rail services throughout the region
- Following the upgrade to motorway, investigating the case for renaming the A1(M) north of Leeds as the M1



WALES

- Introducing at the SR, and in the expectation of an income tax referendum, a funding floor in the relative level of funding for the Welsh government
- Working with Welsh government and local partners towards Cardiff City Deal, following successful roll-out of City Deals across England
- Abolishing Category 2 tolls (small goods vehicles and small buses) and including those vehicles in Category 1, to reduce costs for businesses once Severn River Crossings are in public ownership

EAST OF ENGLAND

- Backing the 'Ipswich in 60' and 'Norwich in 90' rail plan
- Studying options for dualling the A120 between Braintree and Marks Tey
- Taking forward further work on the Lowestoft Third River Crossing and Ipswich Wet Dock Crossing

SOUTH WEST

- Allocating £10m to a broadband fund, to improve connectivity throughout the South West
- Supporting the development of the business case for the North Devon Link Road and the A391
- Improving the Treluswell Junction
- Running a further round of the New Stations Fund, and considering proposals for a new station between Castle Cary & Taunton

LONDON

- Backing the Museum of London's move to a new site
- Establishing the hub for the UK Collaboration for Research in Infrastructure and Cities, including 13 partners across the UK
- Investing £23m in 6 Next Generation Digital Economy Centres over six sites, including one at UCL

SOUTH EAST

- Upgrading domestic services to bring Ramsgate to within an hour of London
- Exploring the potential to extend HS1 to Hastings and Rye
- Extending the scope of the Lewes-Uckfield study to look at improving rail links between London and the South Coast

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1.310 The government supports the extension of the Birmingham Enterprise Zone, which will support Birmingham to build on the government's investment in HS2 to generate further benefits for the city of Birmingham, and will consider a business case as part of the Spending Review.

1.311 In February 2015, the government announced a new partnership between the Birmingham and Solihull LEP and Jobcentre Plus to invest in additional work coaches to help all local jobseekers to find good jobs. **The government is creating a new Jobcentre Plus Employment Advisor role, working with schools and sixth-form colleges to improve young people's understanding of the local labour market, the skills local employers are looking for, and routes into work.** The programme will start in Birmingham, ensuring that young people in the city can benefit from the strong partnerships already in place, before expanding to the wider Greater Birmingham and Solihull area and beyond.

East of England

1.312 The government's long-term economic plan for the East backs the region's strengths in science and technology, the rural economy, agritech and defence, all reliant on good local transport.

1.313 The government will invest £4.2 billion in transport infrastructure and £1.5 billion in roads in the East of England over this Parliament. Work on the Lowestoft Third River Crossing and Ipswich Wet Dock Crossing will be taken forward, with £4 million committed so far. The government will improve rail passenger journey times between London and the East of England, backing the 'Ipswich in 60' and 'Norwich in 90' rail plans.

1.314 **Highways England and Essex County Council will work together to study options for dualling the A120 between Braintree and Marks Tey.**

South West

1.315 In the long-term economic plan to increase growth and create jobs in the South West, the government set out its plans to invest in transport and support key regional strengths, including defence, cyber security, science, agriculture and tourism.

1.316 The government reaffirms its commitment to £7.2 billion investment in transport infrastructure in the South West over this Parliament. **The government will provide local councils with funding to support the development of business cases for the North Devon Link Road, and the A391 in Cornwall.**

1.317 The new round of the New Stations Fund will consider any local proposals for a new station between Castle Cary and Taunton.

1.318 To support connectivity in the South West, **the government will allocate up to £10 million to the broadband programme** from April 2016. The fund will be available for local projects to bid into, with priority given to those delivering ultrafast speeds of 100mbps and above. Broadband Delivery UK will start working with local projects immediately to determine the most effective way of delivering this support.

1.319 Small cider makers are a traditional part of rural economies who help create a diverse and vibrant cider market. **The UK is discussing reforms to EU law with the EU Commission and other Member States, so that it explicitly allows Member States to support small cider makers through the duty regime.** The government is also looking at alternatives that could apply. The government will work with industry on both of these. The

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government will retain the current duty exemption for small cider producers until and unless a replacement scheme is established.

1.320 The government supports the work towards building a new stadium for Cornwall, and looks forward to seeing further progress.

London

1.321 The government believes that re-balancing the economy means building up every part of the country. London's growth supports the growth of the whole UK. The government will build on its long term economic plan for London that supports transport, housing and culture.

1.322 As one of the 6 Next Generation Digital Economy Centres, **the government will invest £4 million in a UK Regions Digital Research Facility at UCL**, which has leveraged £5.6 million in additional funding.

1.323 The government reaffirms its commitment to supporting £10 billion of transport investment in London over this Parliament.

1.324 The government welcomes Professor Dame Ann Dowling's review into how the UK's research base can further collaborate with industry. The government will respond in full by the Spending Review, including on how to deliver the central recommendation of making it easier for business to find support from universities and the government's broad range of financial support. The government can confirm significant industrial support for specific science investments, including £128 million in the UK Collaboration for Research in Infrastructure and Cities (UKCRIC), with its hub to be established in London.

1.325 London is a leading global city of culture and the government is supportive of the Museum of London's ambition to move from London Wall to Smithfield General Market. The GLA has already supported the Museum of London with funding for an architectural competition to support this move.

South East

1.326 The government is backing the South East and the South Coast, with its strengths including tourism and enterprise. Critical to supporting the South East and the South Coast is investment in infrastructure.

1.327 The government is upgrading domestic rail services to bring Ramsgate within an hour of London. **The Department for Transport has asked the rail industry to include extending High Speed 1 services to Hastings and Rye in the forthcoming Kent Route Study**. The outputs from this study will be presented to the government for consideration in 2016, with a view to this work being an option for funding after 2019.

1.328 The government will extend the scope of the Lewes-Uckfield study to look at improving rail links between London and the south coast, including upgrades to existing routes, consideration of the Brighton Main Line corridor, and re-examination of the DfT's feasibility study on BML2.

70 Summer Budget 2015

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2 Budget policy decisions

2.1 Chapter 1 explains how the measures announced in this Budget advance the government's long-term economic plan. This chapter provides a brief description of all Budget policy decisions. These are decisions on tax measures, National Insurance contributions (NICs), measures that affect Annually Managed Expenditure (AME), changes to Departmental Expenditure Limits (DEL) and other policy measures. Unless stated otherwise, measures in this chapter are measures announced at this Budget. The tables in this chapter set out the cost or yield of all Budget policy decisions with a fiscal impact in the years up to 2020-21.

Fiscal impacts of Budget policy decisions

2.2 Alongside this Budget, the Office for Budget Responsibility (OBR) has published an independent forecast of the public finances and the economy, incorporating Budget policy decisions. To produce the Budget forecast, the OBR has certified the government's assessment of the direct cost or yield of Budget policy decisions that affect the economy and public finance forecasts and has made an assessment of the indirect effects of Budget measures on the economy.

2.3 Table 2.1 shows the cost or yield of all new Summer Budget 2015 decisions with a direct effect on public sector net borrowing. This includes tax measures, changes to allocated DEL, and measures affecting AME.

2.4 Consistent with its commitment to transparency, the government is also publishing the methodology underlying the calculation of the fiscal impact of each policy decision. This is included in the supplementary document 'Summer Budget 2015 policy costings' published alongside this Budget.[1]

2.5 The supplementary document 'Overview of Tax Legislation and Rates', published alongside this Budget, provides a more detailed explanation of tax measures included in this chapter and a summary of their impacts.[2]

[1] www.gov.uk
[2] www.gov.uk

Table 2.1: Summer Budget 2015 policy decisions[1]

	Head	£ million					
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Personal tax							
1 Personal allowance: increase to £11,000 in 2016-17, with equal gains to higher rate taxpayers	Tax	0	-1,055	-1,160	-1,195	-1,160	-1,200
2 Higher Rate Threshold: increase to £43,000 in 2016-17	Tax	0	-90	-200	-190	-255	-310
3 Inheritance Tax: £1m couples allowance from 2020 through new main residence nil-rate band phased in from 2017	Tax	0	0	-270	-630	-790	-940
4 Pensions tax relief: restrict for gross income over £150,000 from 2016-17	Tax	-70	+260	+425	+900	+1,180	+1,280
5 Rent-a-room relief: increase to £7,500	Tax	0	-5	-10	-10	-10	-15
Childcare							
6 Childcare: 30 hour entitlement for working parents of 3 and 4 year olds	Spend	0	-15	-365	-640	-660	-670
7 Tax Free Childcare: updated rollout	Spend	+165	+370	-95	-130	-90	-40
8 Adoption reform	Spend	-20	-20	0	0	0	0
Business and Growth							
9 Corporation Tax: reduce to 19% from 2017-18, and 18% from 2020-21	Tax	0	-10	-605	-1,600	-1,870	-2,475
10 Annual Investment Allowance: set at new permanent level of £200,000	Tax	-5	-215	-850	-895	-840	-795
11 Banks: 8% Corporation Tax Surcharge and changes to Bank Levy	Tax	0	+415	+555	+365	+225	+105
12 Corporation Tax: bringing forward payments for large groups	Tax	0	0	+4,495	+3,135	+140	+60
13 Employment Allowance: increase by £1,000 from 2016-17	Tax	0	-630	-670	-685	-700	-695
14 Oil and gas: expand investment allowance	Tax	*	-5	-5	-5	-5	-10
15 Transport for the North and Midlands Connect: set up costs	Spend	-15	-10	-10	0	0	0
Reform and sustainability							
16 Dividends tax: abolish credit, introduce new £5,000 allowance, and increase effective rates by 7.5pp	Tax	0	+2,540	-890	+1,120	+2,055	+1,960
17 Residential property: restrict finance relief to basic rate, phase from 2017	Tax	0	0	0	+225	+415	+665
18 Residential property: reform wear and tear allowance	Tax	0	0	+205	+165	+165	+170
19 Insurance Premium Tax: increase by 3.5pp to 9.5%	Tax	+530	+1,460	+1,510	+1,530	+1,550	+1,580
20 VED: reform for new cars purchased from 2017, hypothecated to roads fund from 2020-21	Tax	0	+250	+195	+670	+940	+1,425
Imbalances in the tax system							
21 Non-domiciles: abolish permanent status	Tax	0	0	-15	+475	+380	+385

		Head	£ million 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
22	Non-domiciles: IHT on UK residential property	Tax	-5	-5	+35	+100	+75	+85
23	Climate Change Levy: equal treatment for generators	Tax	+450	+490	+575	+685	+800	+910
24	Intangible assets: remove relief for new claims	Tax	+35	+100	+165	+220	+280	+320
25	Employment Allowance: withdraw from single person companies	Tax	0	+80	+95	+100	+105	+110
26	Tax Motivated Incorporation: reduction due to dividend tax reform	Tax	0	+190	+360	+445	+505	+565
Avoidance and tax planning								
27	Capital Gains Tax: avoidance by private equity and hedge funds	Tax	0	+265	+375	+390	+390	+375
28	Controlled Foreign Companies: loss restriction	Tax	+65	+140	+190	+165	+150	+150
29	Corporation Tax: intra-group transfers	Tax	+15	+30	+30	+20	+15	+15
30	Indirect tax: overseas insurance	Tax	0	+5	+5	+5	+5	+5
Evasion and compliance								
31	Large Business: enhanced compliance	Tax	0	+40	+170	+340	+480	+625
32	Specialist Personal Tax: enhanced compliance	Tax	0	+5	+40	+110	+195	+280
33	Wealthy: enhanced compliance	Tax	0	-65	+40	+185	+260	+280
34	Tackling illicit tobacco and alcohol	Tax	0	+15	+115	+285	+430	+450
35	Hidden economy	Tax	0	+15	+110	+195	+255	+285
36	Local compliance	Tax	0	+15	+135	+360	+640	+920
Welfare								
37	Uprating: freeze working-age benefits, tax credits and Local Housing Allowances for 4 years from 2016-17	Spend	0	+90	+940	+2,325	+3,885	+4,010
38	Benefit cap: reduce to £20,000, and £23,000 in London	Spend	0	+100	+310	+360	+405	+495
	Tax credits and Universal Credit							
39	Limit child element to 2 children for new births in tax credits and new claims in UC	Spend	0	0	+315	+700	+1,055	+1,365
40	Remove family element in tax credits and UC, and the family premium in Housing Benefit, for new claims	Spend	0	+55	+220	+410	+555	+675
41	Increase tax credits taper rate to 48%	Spend	0	+1,475	+1,035	+600	+345	+245
42	Reduce income thresholds in tax credits and work allowances in UC	Spend	0	+2,880	+3,060	+3,180	+3,310	+3,440
43	Reduce income rise disregard in tax credits	Spend	0	+170	+225	+250	+180	+110
44	UC waiting days: revised schedule	Spend	-5	0	0	0	0	0
	Housing Benefit							
45	End automatic entitlement for out-of-work 18-21 year olds	Spend	0	0	+25	+35	+35	+40
46	Reduce social sector rents by 1% each year for 4 years from 2016-17	Spend	0	+165	+475	+875	+1,320	+1,445

		Head	£ million 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
47	Pay to stay: higher income social housing tenants to pay market rents	Spend	0	0	+365	+185	+245	+240
48	Limit backdating awards to 4 weeks	Spend	0	+10	0	*	*	*
49	Support for Mortgage Interest: change from welfare payment to loan; maintain capital limit at £200,000	Spend	0	-30	-35	+270	+255	+255
	Employment and Support Allowance							
50	Align Work-Related Activity Group rate with JSA for new claims	Spend	0	0	+55	+225	+445	+640
	Other							
51	UC parent conditionality from when youngest child turns 3	Spend	0	0	-5	-5	+35	+30
52	Fraud, error and debt: tax credits changes	Spend	+60	+55	+30	*	*	*
Changes to spending								
53	In-year savings[2]	Spend	+2,595	0	0	0	0	0
54	HMRC funding	Spend	-60	-225	-270	-270	-265	-255
55	Discretionary Housing Payments	Spend	0	-150	-185	-170	-155	-140
56	Other welfare funding – including Youth Obligation and extra JCP support	Spend	-10	-100	-205	-285	-300	-325
57	TV Licence: BBC funding for over-75s	Spend	0	0	0	+200	+445	+745
58	Efficiency and reform	Spend	-55	0	0	0	0	0
59	Equitable Life: doubling payments to Pension Credit recipients	Spend	-50	0	0	0	0	0
60	Royal Mail share scheme	Spend	-50	0	0	0	0	0
	TOTAL POLICY DECISIONS		**+3,570**	**+9,075**	**+11,035**	**+15,095**	**+17,065**	**+18,885**
	Total spending policy decisions		+2,590	+5,095	+5,945	+8,270	+11,280	+12,415
	Total tax policy decisions		+980	+3,980	+5,090	+6,825	+5,785	+6,470
	Total welfare policy decisions		*+55*	*+4,970*	*+7,015*	*+9,410*	*+12,070*	*+12,990*
	Total receipts from avoidance and tax planning, evasion and compliance, and imbalances in the tax system		*+560*	*+1,320*	*+2,425*	*+4,080*	*+4,965*	*+5,760*

**Negligible*

[1] Costings reflect the OBR's latest economic and fiscal determinants.

[2] This measure forms part of the £3 billion departmental savings identified in 2015-16. See also the financial transactions table later in this chapter.

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Public spending

Welfare cap

2.6 The welfare cap is set for the Parliament at the level of the OBR's forecast for welfare spending. The cap covers welfare spending excluding the state pension and automatic stabilisers. The forecast margin will be 2% of the cap in each year that the cap applies.

The spending envelope and Spending Review

2.7 Table 2.2 sets out the path for Total Managed Expenditure (TME), Public Sector Current Expenditure (PSCE) and Public Sector Gross Investment (PSGI) to 2020-21. It shows the change in TME between March Budget 2015 and Summer Budget 2015.

2.8 The Spending Review, which will conclude in the autumn, will determine the precise levels of DEL and AME, including the allocation of DEL between departments.

2.9 The government will continue to prioritise capital investment over the medium to longer term. Within TME the government's current assumption is that PSGI will be constant in real terms in 2016-17 and 2017-18 and will grow in line with GDP from 2018-19. The government will set out detailed plans for capital at the Spending Review.

Table 2.2: Total Managed Expenditure[1]

	£ billion					
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
CURRENT EXPENDITURE						
Resource AME	337.9	344.3	358.6	371.8	384.2	395.2
Resource DEL, excluding depreciation	315.1					
Ring-fenced depreciation	22.3					
Implied Resource DEL, including depreciation[2]		*341.4*	*339.7*	*339.7*	*344.3*	*369.6*
Public Sector Current Expenditure	**675.2**	**685.7**	**698.4**	**711.4**	**728.5**	**764.8**
CAPITAL EXPENDITURE						
Capital AME	24.7	26.0	26.3	24.3	25.1	26.8
Capital DEL	42.4					
Implied Capital DEL[2]		*42.6*	*43.3*	*48.5*	*50.9*	*52.8*
Public Sector Gross Investment[3]	**67.1**	**68.6**	**69.6**	**72.9**	**75.9**	**79.7**
TOTAL MANAGED EXPENDITURE	**742.3**	**754.3**	**768.0**	**784.3**	**804.4**	**844.5**
Total Managed Expenditure (% GDP)	*39.6%*	*38.7%*	*37.8%*	*37.0%*	*36.3%*	*36.3%*
Change to Total Managed Expenditure since March Budget 2015	*-0.3*	*+14.0*	*+24.1*	*+25.1*	*+7.1*	–

[1] Budgeting totals are shown including the Office for Budget Responsibility's forecast Allowance for Shortfall. Resource DEL excluding ring-fenced depreciation is the Treasury's primary control within resource budgets and is the basis on which departmental Spending Review settlements are agreed. The OBR publishes Public Sector Current Expenditure (PSCE) in DEL and AME, and Public Sector Gross Investment (PSGI) in DEL and AME. A reconciliation is published by the OBR.

[2] Decisions relating to future composition of Total Managed Expenditure, including the precise split between PSCE, PSGI, DEL and AME will be set out at the Spending Review.

[3] Within TME, the government's current assumption is that PSGI will be constant in real terms in 2016-17 and 2017-18 and will grow in line with GDP from 2018-19. This PSGI growth rule is applied to a 2015-16 baseline which includes the OBR's forecast Allowance for Shortfall and excludes the effect of all policy measures announced at Autumn Statement 2013, Budget 2014, Autumn Statement 2014 and March Budget 2015. Following the application of the PSGI growth rule, PSGI has from 2016-17 onwards been adjusted to take account of the same measure as at Autumn Statement 2014 and those scored at this Budget. The government will set out detailed plans for capital at the Spending Review.

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Department Expenditure Limits

2.10 The government has already identified a further £3 billion of savings in 2015-16, as announced on 4 June 2015. The savings have been achieved through further efficiency savings, tighter control of budgets to drive underspends in-year, and through asset sales. £2.6 billion of the savings are in DEL. In addition, the government has brought forward the sale of land around Kings Cross, worth £0.4 billion, recorded in the financial transactions table. (53)

2.11 Table 2.3 shows DEL as announced at Spending Round 2013, and subsequently adjusted for measures at fiscal events including policy decisions contained in this Budget.

Financial transactions and contingent liabilities

2.12 A number of policy measures announced in the Budget do not directly affect public sector net borrowing (PSNB) in the same way as conventional spending or taxation. This includes financial transactions that only affect the central government net cash requirement (CGNCR) and public sector net debt (PSND), and transactions likely to be recorded as contingent liabilities. Table 2.4 shows the effect of financial transactions on CGNCR.

Table 2.4: Financial transactions: impact on central government net cash requirement[1]

	£ million					
Financial transactions	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
i Sale of shares in Royal Mail	+1,455	0	0	0	0	0
ii Sale of shares in The Royal Bank of Scotland	+2,000	+5,800	+5,800	+5,800	+5,800	0
iii Higher education: additional maintenance loans for students	0	–620	–1,535	–2,335	–2,805	–3,050
iv Contribution to the Asian Infrastructure Investment Bank[2]	–80	–80	–80	–80	–80	0
v Support for Mortgage Interest	0	0	0	–270	–235	–215
vi Sale of land around Kings Cross[3]	+360	0	0	0	0	0
TOTAL POLICY DECISIONS	**+3,735**	**+5,100**	**+4,185**	**+3,115**	**+2,680**	**–3,265**

[1] Costings reflect the OBR's latest economic and fiscal determinants, and are presented on a UK basis.

[2] Contribution will be made in USD and therefore the amount in GBP will be subject to exchange rate fluctuations.

[3] This transaction forms part of the £3 billion departmental savings identified in 2015-16 – see also table 2.1. It relates to the sale of shares held by the Department for Transport in property around Kings Cross, valued in the department's 2013-14 accounts at £345 million. The OBR has forecast receipts from this sale in the region of £360 million, taking into account wider market information. The Department for Transport will publish further details on the sale, which will be a full commercial process, in due course.

Asset sales

2.13 **Moving the Green Investment Bank into the private sector** – The government will explore options to move the Green Investment Bank into the private sector, subject to achieving value for money. The proceeds of the sale will be used to reduce debt.

2.14 **Disposal of Royal Mail shares** – The government intends to complete the sale of its remaining 14% shareholding in Royal Mail by the end of 2015-16, subject to achieving value for money. As previously announced, the final 1% of the total value of the company will be gifted to employees. (60)

2.15 **Financial asset sales** – Over the course of this Parliament, the government will dispose of at least three-quarters of its stake in RBS, beginning with a sale in the coming months. Sales of Lloyds shares and UKAR assets are ongoing.

2.16 **Wider corporate and financial asset sales** – The government intends to complete a number of other non-financial sector asset sales by the end of 2015-16, subject to achieving value for money. These include the government's shareholding in the Kings Cross property development, valued at £345 million in the Department for Transport's accounts, and the

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Table 2.3: Departmental Expenditure Limits

	£ billion Plans 2015-16
Departmental Programme and Administration Budgets (Resource DEL excluding depreciation[1])	
Education	53.5
NHS (Health)[2]	111.9
Transport	2.3
CLG Communities	2.5
CLG Local Government	10.6
Business, Innovation and Skills	13.1
Home Office	10.2
Justice	6.3
Law Officers' Departments	0.5
Defence[3]	28.1
Foreign and Commonwealth Office	1.8
International Development	7.4
Energy and Climate Change	1.4
Environment, Food and Rural Affairs	1.6
Culture, Media and Sport	1.1
Work and Pensions	6.3
Scotland[4]	25.5
Wales[5]	12.9
Northern Ireland	9.6
Chancellor's Departments	3.5
Cabinet Office	2.5
Small and Independent Bodies	1.6
Reserve	2.0
Special Reserve	0.2
Adjustment for Budget Exchange[6]	-0.5
Total Resource DEL excluding depreciation plans	316.1
OBR allowance for shortfall	*-1.0*
OBR Resource DEL excluding depreciation forecast	*315.1*
Capital DEL	
Education	4.7
NHS (Health)[2]	4.6
Transport	6.1
CLG Communities	5.3
CLG Local Government	0.0
Business, Innovation and Skills	3.8
Home Office	0.4
Justice	0.3
Law Officers' Departments	0.0
Defence[3]	6.8
Foreign and Commonwealth Office	0.1
International Development	2.6
Energy and Climate Change	2.5
Environment, Food and Rural Affairs	0.5
Culture, Media and Sport	0.4
Work and Pensions	0.2
Scotland	3.1
Wales	1.5
Northern Ireland	1.1
Chancellor's Departments[7]	0.3
Cabinet Office	0.4
Small and Independent Bodies	0.1
Reserve	0.9
Special Reserve	0.1
Adjustment for Budget Exchange[6]	-1.6
Total Capital DEL plans	44.4
OBR allowance for shortfall	*-2.0*
OBR Capital DEL forecast	*42.4*

[1] Resource DEL excluding ring-fenced depreciation is the Treasury's primary control total within resource budgets and the basis on which Spending Review settlements were made.

[2] The health budget is projected to grow in real terms in 2015-16.

[3] The defence budget for 2015-16 reflects the likely initial drawdown of funding from the Special Reserve for the net additional cost of military operations at Main Estimates.

[4] The Scottish block grant has been adjusted to reflect the devolution of SDLT and Landfill tax with effect from 1st April 2015.

[5] Welsh business rates score as AME rather than DEL from 2015-16.

[6] Departmental budgets in 2015-16 include amounts carried forward from 2014-15 through Budget Exchange, which will be voted at Main Estimates. These increases will be offset at Supplementary Estimates in future years so are excluded from spending totals.

[7] The Chancellor's Departments budget shown here does not include receipts from the sale of Eurostar. This is included in the HM Treasury Main Estimate. This treatment has no effect on the forecasts.

first tranche of the pre-Browne Income Contingent Student Loan Book (central estimate of £12 billion for total proceeds from tranches to be sold up to 2020). Progress continues towards the sale of the government's 33% shareholding in Urenco.

Public sector reform and efficiency

2.17 Digital transformation – The government will provide seed funding to the Cabinet Office to work with departments in generating a series of innovative business cases to inform the Spending Review. The government's aim is to deliver redesigned, user-friendly public services, fit for the digital age as well as delivering efficiencies across the public sector. (58)

2.18 Commercial land and property reforms – The government will recruit a shadow chair to lead the development and implementation of a new commercially-driven approach to land and property asset management across the central government estate, with this Budget providing funding for the delivery of this transformation programme. (58)

2.19 Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.

2.20 Public sector pay – The government will fund public sector workforces for a pay award of 1% for 4 years from 2016-17 onwards.

Health

2.21 NHS funding – The government will back the NHS Five Year Forward View and increase NHS funding by £10 billon per annum, above inflation, by 2020-21. This is a real terms funding increase of £8 billon, in addition to the £2 billon for 2015-16 announced at Autumn Statement 2014. The NHS will receive £2 billon more than it asked for in its 5 year plan to fund the government's objectives, including to make the NHS a 7 day service. The NHS will receive staged funding increases in every year of the Parliament. The specific level of funding for each year will be determined in the Spending Review.

Defence and security

2.22 Defence spending – The Ministry of Defence budget will rise at 0.5% per year in real terms to 2020-21.

2.23 Defence and intelligence spending – The government commits to make available up to an additional £1.5 billion a year by the end of the Parliament to increase spending on the military and intelligence agencies by an average of 1% a year in real terms.

2.24 Meeting the NATO 2% pledge – The government commits to meeting the properly measured NATO pledge to spend 2% of national income on defence every year of this decade.

2.25 Counter terrorism spending – The government commits to protect in real terms counter terrorism spending of more than £2 billion across government.

Devolution and local growth

2.26 Local Authority assets – At Autumn Statement 2014 the government committed to expanding the One Public Estate programme to local authorities in England with a significant asset base. This Budget commits a further £6 million to continue to deliver progress and ensure local government rationalises its estate to contribute to growth and ensure efficient use of public assets.

2.27 Social impact bonds – The government intends to expand its support for social impact bonds at the Spending Review and will consult with experts to identify suitable options.

2.28 Sunday trading – The government will consult on devolving powers on Sunday trading to city mayors and Local Authorities. This will look at allowing mayors or councils to extend Sunday trading for additional hours within parameters that they would determine.

2.29 Enterprise Zones – The government will hold a bidding round for a new programme of Enterprise Zones for this Parliament.

2.30 Coastal Communities Fund – The government will extend the Coastal Communities Fund by at least £90 million until 2020-21. Subject to confirmation of detailed funding arrangements at the 2015 Spending Review.

Securing a truly national recovery

2.31 Regional transport measures – The government is making a range of interventions to support the rebalancing of the economy across the UK:

- A120 dualling: Highways England and Essex County Council will work together to study the options for dualling the A120 between Braintree and Marks Tey
- Brighton Main Line: The government will extend the scope of the Lewes-Uckfield study to look at improving rail links between London and the south coast, including upgrades to existing routes, consideration of the Brighton Main Line corridor, and re-examination of the DfT's feasibility study on BML2
- HS1 to Hastings: The rail industry has been asked to explore options for extending HS1 services to Hastings and Rye in the forthcoming Kent Route Study, for presentation to Ministers in 2016
- North Devon Link Road and A391 upgrade: £3 million will be provided to support local councils in developing business cases for the North Devon Link Road and the A391
- Mersey Tolls: The government is looking at extending Mersey Gateway bridge toll discounts to residents of Chester West & Chester and Warrington, with final decisions to be made early next year. In addition, the government will work with relevant local partners carrying out a review of the tolls on the Mersey Tunnels
- New Stations Fund: The government will run a further round of the New Stations Fund with up to £20 million in total available for projects, and consider proposals including any put forward for a new station between Castle Cary and Taunton. The extended round of the New Stations Fund will also be used to support a local bid for stations on the Robin Hood Line to Edwinstowe and Ollerton, subject to a business case.

2.32 Funding for local transport projects – The government will commit to £17.8 million of funding to local transport projects:

- £2 million to the Treluswell Junction Improvement in Cornwall, with the potential to realise the delivery of approximately 400 homes
- £1.5 million for improvements to the A4123 Birmingham New Road/Shaw Road Junction in Wolverhampton, to help unlock the development of housing on 6 sites
- £5.5 million for maintenance and upgrade of the Swanswell viaduct
- £3 million for Tameside Metropolitan Borough Council to make structural improvements to walls around local roads
- £5.8 million for the A666 Highways Maintenance Scheme in Bolton

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2.33 Centre for Agricultural Informatics and Sustainability Metrics – Further to the £11.8 million of government support provided at March Budget 2015, the Centre for Agricultural Informatics and Sustainability Metrics has been established as a legal entity and is due to open for business later this month.

2.34 Regional re-balancing: National Colleges – The government has committed to the establishment of a network of National Colleges to provide specialist high-level training in sectors that are critical to economic growth.

2.35 Regional re-balancing: employment advisor support for 14-17 year olds in Birmingham – The government is creating a new Jobcentre Plus employment advisor role, working with schools and sixth-form colleges to help build young people's understanding of the local labour market, the skills local employers are looking for, and routes into work. This new service will start in Birmingham, before expanding to the wider Greater Birmingham and Solihull area and then beyond.

2.36 Regional re-balancing: supporting delivery of Working Well – The Department for Work and Pensions (DWP) will work with Greater Manchester to support the delivery of the current working well programme and central government will explore with Greater Manchester the scope to incorporate greater local flexibility in employment programmes.

Northern Powerhouse

2.37 Further devolution to Greater Manchester – Greater Manchester will receive further powers including over fire, planning, and a new Land Commission.

2.38 Devolution to cities – The government is working towards further devolution deals with the Sheffield City Region, Liverpool City Region, and Leeds, West Yorkshire and partner authorities, to be agreed in parallel to the Spending Review. If agreement is reached, including on an elected mayor working with local leaders to oversee new powers devolved from ministers, these city regions will be granted significant additional powers and the opportunity to take control of their own affairs to support economic growth.

2.39 A1(M) – The government will examine the case for renaming the A1(M) North of Leeds as the M1.

2.40 Strengthening Transport for the North (TfN) – The government is committed to transforming transport in the North as part of building a Northern Powerhouse, by:

- establishing TfN as a statutory body with statutory duties, underpinned by £30 million of additional funding over 3 years
- appointing an interim Chief Executive and executive team for TfN by the autumn and a Chair by the end of the year, to accelerate TfN's work programme
- working with TfN to advance the introduction of Oyster-style smart and integrated ticketing across bus, tram, metro and rail services throughout the region, making this one of the top priorities for TfN's newly accelerated work programme
- working with TfN to push forward plans to transform east-west rail and road connections via TransNorth and options for a new TransPennine Tunnel, with a prioritised list of scheme options to be produced by Budget 2016, and an interim report in time for the Spending Review later in 2015. (15)

Midlands

2.41 Midlands Connect – The government is providing £5 million of funding to Midlands Connect to help develop their transport strategy for the Midlands. (15)

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2.42 Regional re-balancing: Midlands LTEP skills update – The government has committed to work with the Midlands Local Enterprise Partnerships (LEPs) to support a regional approach to skills as set out in the Long Term Economic Plan (LTEP) for the Midlands. A delivery plan will be set out in autumn 2015.

South West

2.43 Broadband for the South West – The government will allocate up to £10 million to the broadband programme in the South West, commencing April 2016. This fund will be available for local projects to bid into, with priority given to those delivering ultrafast speeds of 100mbps and above.

Housing

2.44 Social rents – The government will reduce rents paid by tenants in social housing in England by 1% a year for 4 years from 2016. (46)

2.45 Pay to Stay – The government will require high income social tenants to be charged a market or near market rent, with the additional rental income raised by Local Authorities to be returned to the Exchequer. The government will consult on how this is implemented. (47)

2.46 Lifetime tenancies – The government will review the use of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs and make best use of the social housing stock.

Other spending measures

2.47 The use of banking fines – The government has committed nearly £70 million of banking fines over the next 5 years to support military charities and other good causes, including:

- Defence Medical Welfare Services £0.5 million – the provision of welfare services such as magazines to members of the Armed Forces who are in hospital
- Royal Commonwealth Ex-Services League £5 million – to help ex-Service men and women from the Commonwealth who have served The Crown and are now in need
- Victoria Cross and George Cross Association £3 million – to increase the annuity for VC and GC holders and to support the 75th Anniversary of the Association
- Victims of Terrorism Memorial £1 million – to commemorate the UK victims of terrorism overseas through the construction of a new memorial
- Cadet Expansion Programme (CEP) £50 million – to increase the number of Cadet Units in state schools to 500 by 2020
- Children's Air Ambulance £2 million – to increase the service to 2 helicopters by the end of 2016 to enable the Children's Air Ambulance to extend this free of charge service
- Ludlow Museum £0.25 million – to facilitate the publication online of the unique and historically important geological collections held in Ludlow
- regeneration of the National Memorial Arboretum £2 million – to protect the long term future of the Memorial and to preserve it for the next generation
- Team Rubicon £2.5 million – to establish in the UK an organisation that uses ex-military personnel to support immediate disaster relief effort overseas
- Clock Tower Foundation £3 million – to provide a bespoke rehabilitation centre to support the Special Forces

- Battle of Britain Bunker £1 million – to renovate and maintain the Battle of Britain Operations Room at RAF Uxbridge which coordinated the air defence of London and the South of England in WWII.

2.48 **Adoption reform** – £30 million to further speed up adoption for the 3,000 children awaiting adoption, whilst paving the way for regional adoption agencies. (8)

2.49 **Asian Infrastructure Investment Bank (AIIB)** – The government will make a capital contribution of $3.1 billion (£2 billion) to the AIIB. 20% of this contribution will be paid in capital, made in 5 equal annual instalments of $122 million (£80 million), with the first due in 2015-16; the remaining 80% of the contribution will be in the form of callable capital. The government will seek approval from Parliament for this contribution under Section 11 of the International Development Act.

2.50 **Support for victims of domestic abuse** – The government will set up a £3 million fund to encourage innovative approaches including refuge provision to help those suffering from domestic abuse. Ahead of the Spending Review, the government will draw together evidence from frontline professionals to review how services for victims of violence against women and girls are funded and delivered and feed into a refreshed Violence Against Women and Girls strategy in the autumn.

2.51 **Cremation facilities** – The government will conduct a review into the size and provision of crematoria facilities to make sure they are fit for purpose and sensitive to the needs of all users and faiths. The government will also review cremation legislation and coroner services.

2.52 **BBC licence fee** – The BBC has agreed to take on responsibility for funding the over-75s licence fee concession. This will be phased in from 2018-19, with the full liability being met by the BBC from 2020-21. (57)

Tax lock

2.53 **Tax lock** – The government will legislate to set a ceiling for the main rates of income tax, the standard and reduced rates of VAT, and employer and employee (Class 1) NICs rates, ensuring that they cannot rise above their current (2015-16) levels. The tax lock will also ensure that the NICs Upper Earnings Limit cannot rise above the income tax higher rate threshold; and will prevent the relevant statutory provisions being used to remove any items from the zero rate of VAT and reduced rate of VAT for the duration of this Parliament. (Summer Finance Bill 2015)

Personal tax and welfare

Income tax and National Insurance contributions

2.54 **Personal allowance increase** – The government will increase the income tax personal allowance from £10,600 in 2015-16 to £11,000 in 2016-17. It will increase to £11,200 from 2017-18. (Summer Finance Bill 2015) (1)

2.55 **Personal allowance indexation change** – The government will legislate to ensure that once the personal allowance reaches £12,500 it will be uprated in line with the National Minimum Wage (NMW), ensuring that anyone on the NMW working 30 hours per week or less, does not pay income tax. Until then, the government will also have a legal duty to consider the impact of the level of the personal allowance on an individual working 30 hours a week on the NMW and to report on this at each fiscal event. To underpin this, the government has also announced a review of the NMW timetable to align it with the tax year. (Summer Finance Bill 2015)

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2.56 Higher rate threshold increase – The government will increase the higher rate threshold from £42,385 in 2015-16 to £43,000 in 2016-17 and to £43,600 in 2017-18. The NICs Upper Earnings Limit will also increase to remain aligned with the higher rate threshold. (Summer Finance Bill 2015) (2)

2.57 Dividend taxation – The government will abolish the Dividend Tax Credit from April 2016 and introduce a new Dividend Tax Allowance of £5,000 a year. The new rates of tax on dividend income above the allowance will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. (Finance Bill 2016) (16) (26)

2.58 Reform of the Wear and Tear Allowance – From April 2016, the government will replace the Wear and Tear Allowance with a new relief that allows all residential landlords to deduct the actual costs of replacing furnishings. Capital allowances will continue to apply for landlords of furnished holiday lets. The government will publish a technical consultation before the summer. (Finance Bill 2016) (18)

2.59 Restricting finance cost relief for landlords – The government will restrict the relief on finance costs that individual landlords of residential property can get to the basic rate of tax. The restriction will be phased in over 4 years, starting from April 2017. (Summer Finance Bill 2015) (17)

2.60 Increasing the level of the Rent-a-Room relief – The government will increase the level of Rent-a-Room relief from £4,250 to £7,500 from April 2016. (5)

2.61 Increasing the employer National Insurance contributions Employment Allowance by £1,000 – The government will increase the annual Employment Allowance from £2,000 to £3,000. This will come into effect from April 2016. (13)

2.62 National Insurance contributions Employment Allowance – From April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance. (25)

2.63 Abolishing non-domicile status for long domicile residents – The government will legislate so that from April 2017 anybody who has been resident in the UK for more than 15 of the past 20 tax years will be deemed to be domiciled in the UK for tax purposes. A detailed note explaining these proposals has been published alongside the Summer Budget. A technical consultation will be published later in the year. (Finance Bill 2016) (21)

2.64 Eligibility of non-domicile status for UK born individuals – From April 2017, individuals who are born in the UK to parents who are domiciled here, will no longer be able to claim non-domicile status whilst they are resident in the UK. (Finance Bill 2016) (21)

2.65 Minimum claim period for the remittance basis charge – Following the consultation announced at Autumn Statement 2014, and as a result of wider reforms to the taxation on non-UK domiciled individuals, the government will not introduce a minimum claim period for the remittance basis charge.

2.66 Employment taxes and salary sacrifice – The government will actively monitor the growth of salary sacrifice schemes that reduce employment taxes and their effect on tax receipts.

2.67 Extending averaging for farmers – As announced at March Budget 2015, the averaging period for farmers will be extended from 2 years to 5 years as of April 2016. The government will publish a consultation on the detail of the extension. (Finance Bill 2016)

2.68 Taxation of sporting testimonials – Following a call for evidence on extra statutory concessions in 2014, the government will consult on proposals for reforming the rules on the tax treatment of payments made from sporting testimonials. The consultation will conclude ahead of Autumn Statement 2015.

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2.69 Income tax exemption for non-residents participating in the 2015 Anniversary Games – The government will exempt from income tax non-residents participating in the 2015 Anniversary Games taking place between 24 and 26 July 2015. (Summer Finance Bill 2015)

2.70 Taxation of councillors' travel expenses – As announced at Autumn Statement 2014, the government will exempt from income tax travel expenses paid to councillors by their local authority. The exemption will be limited to the Approved Mileage Allowance Payment (AMAP) rates where it applies to mileage payments. This change will take effect from 6 April 2016. (Summer Finance Bill 2015)

2.71 Venture capital schemes: changes to scheme rules – The government will, subject to state aid approval, and with effect from Royal Assent to the Summer Finance Bill 2015:

- require that all investments are made with the intention to grow and develop a business
- require that all investors are 'independent' from the company at the time of the first share issue
- introduce new qualifying criteria to limit relief to investment in companies that meet certain conditions demonstrating that they are 'knowledge intensive' companies within 10 years of their first commercial sale, and other qualifying companies within 7 years of their first commercial sale; this will not apply where the investment represents more than 50% of turnover averaged over the preceding 5 years
- introduce a cap on the total investment a company may receive through the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) of £20 million for knowledge intensive companies, and £12 million for other qualifying companies
- increase the employee limit for knowledge intensive companies to 500 employees
- introduce new rules to prevent EIS and VCT funds being used to acquire existing businesses, including extending the prohibition on management buyouts and share acquisitions to VCT non-qualifying holdings and VCT funds raised pre-2012, and preventing money raised through EIS and VCT from being used to make acquisitions of existing business regardless of whether it is through share purchase or asset purchase. (Summer Finance Bill 2015)

2.72 Venture capital schemes: changes to scheme rules – The government will remove the requirement that 70% of Seed Enterprise Investment Scheme (SEIS) money must be spent before EIS or VCT funding can be raised for qualifying investments made on or after 6 April 2015. (Summer Finance Bill 2015)

2.73 Venture capital schemes: renewable energy – The government will continue to monitor the use of the SEIS, EIS and VCT for investments in community energy organisations benefiting from subsidies for the generation of renewable energy to ensure that support for community energy through the venture capital schemes provides good value for money for the taxpayer and is not subject to misuse.

2.74 Bad debt relief for peer to peer (P2P) industry – As announced at Autumn Statement 2014, the government will allow tax relief on bad debts incurred on P2P loans against other P2P income from April 2015. A technical note was published at March Budget 2015. Draft legislation will be published later this year. (Finance Bill 2016)

2.75 Peer to peer withholding tax – At Autumn Statement 2014 the government announced that new rules on how withholding tax applied on P2P loans would take effect from April 2017. The government will consult on the proposals over summer 2015. (Finance Bill 2016)

Savings and pensions

2.76 Personal savings allowance – As announced at March Budget 2015, the government will introduce an allowance from 6 April 2016 to remove tax on up to £1,000 of savings income for basic rate taxpayers and up to £500 for higher rate taxpayers. Additional rate taxpayers will not receive an allowance. Automatic deduction of 20% income tax by banks and building societies on non-ISA savings will cease from the same date and the government will shortly publish a public consultation on whether changes are required to the deduction arrangements in place for other savings income. (Finance Bill 2016)

2.77 Extending ISA eligibility – The government will introduce the Innovative Finance ISA, for loans arranged via a P2P platform, from 6 April 2016 and has today published a public consultation on whether to extend the list of ISA eligible investments to include debt securities and equity offered via a crowd funding platform.

2.78 Making ISAs more flexible – March Budget 2015 announced that the government will change the ISA rules in the autumn to allow individuals to withdraw and replace money from their cash ISA in-year without this replacement counting towards their annual ISA subscription limit. This policy will also cover cash held in stocks and shares ISAs. These changes will commence from 6 April 2016.

2.79 Taxation of pensions at death – As announced at Autumn Statement 2014, the government will reduce the 45% tax rate that applies on lump sums paid from the pension of someone who dies aged 75 and over to the marginal rate of the recipient from 2016-17. (Summer Finance Bill 2015)

2.80 Unfunded employer financed retirement benefit schemes (EFRBS) – The government will consult on tackling the use of unfunded EFRBS to obtain a tax advantage in relation to remuneration.

2.81 Secondary market for annuities – Following consultation, the government has decided to delay implementation of this measure until 2017, in order to ensure there is a robust package to support consumers in making their decision. It will set out further plans for introducing this measure in the autumn. (Finance Bill 2016)

2.82 Lifetime Allowance for pension contributions – The government will reduce the Lifetime Allowance for pension contributions from £1.25 million to £1 million from 6 April 2016. Transitional protection for pension rights already over £1 million will be introduced alongside this reduction to ensure the change is not retrospective. The Lifetime Allowance will be indexed annually in line with CPI from 6 April 2018. (Finance Bill 2016)

2.83 Pensions: reduced Annual Allowance for top earners – The government will restrict the benefits of pensions tax relief for those with incomes, including pension contributions, above £150,000 by tapering away their Annual Allowance to a minimum of £10,000. This policy will come into effect from April 2016. (Summer Finance Bill 2015) (4)

2.84 Pensions tax relief – The government will consult on whether and how to undertake a wider reform of pensions tax relief.

2.85 Pensions Wise – The government is extending access to the successful Pension Wise service to those aged 50 and above, and launching a new comprehensive nationwide marketing campaign. This will ensure more people can access high-quality, impartial guidance on making the most of the new pension flexibilities.

2.86 Closure of the Equitable Life Payment Scheme – The Equitable Life Payment Scheme will close to new claims on 31 December 2015. As part of this, the government will undertake a further effort to trace remaining policy holders due £50 or more.

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2.87 Further payments under the Equitable Life Payment Scheme – The government will make a further payment to Equitable Life policyholders on Pension Credit who received 22.4% of their relative loss. This payment will be for an additional 22.4% and will be made in early 2016. (59)

Inheritance tax

2.88 Inheritance tax and the main residence nil-rate band – The government will introduce an additional nil-rate band when a residence is passed on death to direct descendants. This will be £100,000 in 2017-18, £125,000 in 2018-19, £150,000 in 2019-20, and £175,000 in 2020-21. It will then increase in line with CPI from 2021-22 onwards. Any unused nil-rate band will be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. This element will be the subject of a technical consultation. There will also be a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2 million. This will be at a withdrawal rate of £1 for every £2 over this threshold. (Summer Finance Bill 2015, Finance Bill 2016) (3)

2.89 Inheritance tax and the nil-rate band – The inheritance tax nil-rate band is currently frozen at £325,000 until April 2018. The government will continue to freeze the nil-rate band at £325,000 until April 2021. (Summer Finance Bill 2015) (3)

2.90 Inheritance tax on UK residential property of non-domiciles, including non-domiciles who are not UK resident – The government will legislate to ensure that, from April 2017, inheritance tax is payable on all UK residential property owned by non-domiciles, regardless of their residence status for tax purposes, including property held indirectly through an offshore structure. A more detailed note setting out the scope of this proposals has been published alongside the Summer Budget. A full detailed consultation will follow later this year. (Finance Bill 2017) (22)

2.91 Inheritance tax and non-domiciles – The government will bring forward the point at which an individual who is classed as a non-domicile is deemed domiciled for inheritance tax purposes to 15 out of 20 years. It will also treat individuals who were born in the UK to parents who are domiciled here, as UK domiciled whilst they are in the UK. This aligns inheritance with the changes to the income tax and capital gains tax regime. This will take effect from April 2017. (Finance Bill 2016) (21)

2.92 Inheritance tax changes to support the new digital service – As announced at Autumn Statement 2014, the government will make minor changes to legislation dealing with interest to support the introduction of the new inheritance tax digital service announced in Autumn Statement 2013. (Summer Finance Bill 2015)

2.93 Inheritance tax and trusts – As announced at Autumn Statement 2014, the government will introduce new rules to target avoidance through the use of multiple trusts. It will also simplify the calculation of trust rules. (Summer Finance Bill 2015)

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Welfare

2.94 National Living Wage – The government will introduce a new premium for those aged 25 and over starting at 50 pence leading to a new National Living Wage (NLW) of £7.20 in April 2016. The government's ambition is for the NLW to increase to 60% of median earnings by 2020, and it will ask the Low Pay Commission to recommend the premium rate in light of this ambition going forward. On OBR forecasts, this means the NLW is expected to reach the government's target of over £9 by 2020.

2.95 National Minimum Wage – The combined 50 pence premium with the 20 pence minimum wage increase on the current rate will benefit 1.7 million workers and means that a current NMW worker working 35 hours a week will see their annual salary increase by over £1,200 from April 2016.

2.96 National Minimum Wage – The LPC will continue to recommend the NMW on the same basis.

2.97 National Minimum Wage and illegal working enforcement – The government will invest an additional £1 million in 2015-16 in NMW enforcement to tackle non-compliant employers and to help ensure that workers are aware of their obligations and rights.

2.98 Investment in analytical team for illegal working – The government will invest an additional £0.8 million in 2015-16 to create a data analysis resource in HMRC to tackle illegal working and enable closer joint working with other agencies.

2.99 Youth obligation – From April 2017, 18-21 year olds on Universal Credit will participate in an intensive period of support at the start of their benefit claim. After 6 months they will be expected to apply for an apprenticeship, traineeship, gain work place skills or go on a work placement.

2.100 Tax credit debt recovery – The government will make the tax credits system fairer, by improving the powers it has to recover tax credit debts, including by:

- making the recovery of tax credits debt more efficient; HMRC will recover overpayments of Working Tax Credit from payments of Child Tax Credit, and recover overpayments of Child Tax Credit from payments of Working Tax Credit
- expanding the enforcement of tax credits debt. HMRC will extend the use of the private sector to improve the collection of tax credit debt; this will target tax credit debt in excess of £3,000 that has already passed the Extending Tax Credits debt collection process (52)

2.101 Changes to taper rates in tax credits – From April 2016 the taper rate in tax credits will be increased from 41% to 48% of gross income. Once claimants earn above the income threshold in tax credits, their award will be withdrawn at a rate of 48 pence for every extra pound earned. (41)

2.102 Changes to tax credits income thresholds and Universal Credit work allowances – From April 2016 the income threshold in tax credits will be reduced from £6,420 to £3,850 per year. Work allowances in Universal Credit will be abolished for non-disabled childless claimants, and reduced to £192 per month for those with housing costs and £397 per month for those without housing costs. Claimants earning below these amounts will retain their maximum award. (42)

2.103 Limit Child Element in tax credits and Universal Credit – The Child Element of tax credits and Universal Credit will no longer be awarded for third and subsequent children born after 6 April 2017. This will also apply to families claiming Universal Credit for the first time after April 2017. Households who have been in receipt of tax credits or Universal Credit, with an

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interruption of less than 6 months, will be protected. Furthermore, children with disabilities will continue to receive the Disabled Child Element or Severely Disabled Child Element in tax credits and the equivalent in Universal Credit. Multiple births will be protected in both systems. The Department for Work and Pensions and HMRC will develop protections for women who have a third child as the result of rape, or other exceptional circumstances. Consequential changes will be made in Housing Benefit from April 2017. (39)

2.104 **Income rise disregard in tax credits** – From April 2016 the amount by which a claimant's income can increase in-year compared to their previous year's income before their award is adjusted (the income rise disregard) will be reduced from £5,000 to £2,500. (43)

2.105 **Employment and Support Allowance** – From April 2017 new claimants of Employment and Support Allowance who are placed in the Work-Related Activity Group will receive the same rate of benefit as those claiming Jobseeker's Allowance, alongside additional support to help them take steps back to work. (50)

2.106 **Tax-free childcare** – As announced on Wednesday 1 July, the government reaffirms its commitment to introducing Tax-Free Childcare to support working parents with the costs of childcare. Due to a legal challenge, Tax-Free Childcare will now be launched from early 2017. The government will hold the existing scheme, Employer Supported Childcare, open to new entrants until the new scheme is introduced. (7)

2.107 **Removing the Family Element in tax credits, the first child premium in Universal Credit and the Family Premium in Housing Benefit** – From April 2017, the Family Element in tax credits and the equivalent in Universal Credit will no longer be awarded when a first child is born. This will also apply for families with children making their first claim to Universal Credit. Households who have been in receipt of tax credits or Universal Credit with an interruption of less than 6 months will be protected. Furthermore, children with disabilities will continue to receive the Disabled Child Element or Severely Disabled Child Element in tax credits and the equivalent in Universal Credit. In Housing Benefit, the family premium will be removed for new claims and new births from April 2016. (40)

2.108 **Extending parent conditionality** – From April 2017 parents claiming Universal Credit, including lone parents, will be expected to prepare for work from when their youngest child turns 2, and to look for work when their youngest child turns 3, with support from Jobcentre Plus. (51)

2.109 **Universal Credit waiting days updated delivery schedule** – The government plans to implement 7 waiting days for Universal Credit in August 2015. (44)

2.110 **Limiting backdating in Housing Benefit** – From April 2016, Housing Benefit claims will be backdated for a maximum of 4 weeks. (48)

2.111 **Restricting Housing Benefit entitlement for young people** – From April 2017, those out of work aged 18 to 21 making new claims to Universal Credit will no longer be automatically entitled to the housing element. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding 6 months will be exempt from this measure. (45)

2.112 **Lowering the household benefit cap** – The government will lower the household benefit cap, which caps the amount of benefits out-of-work working-age families can receive, to £20,000, except in Greater London where the cap will be £23,000. The current exemptions to the cap will continue to apply. (38)

2.113 **Discretionary Housing Payments** – The government has set out the level of Discretionary Housing Payment funding that will be made available to Local Authorities in future years. Local Authorities will be able to use this funding to protect the most vulnerable and to support households to adjust to Housing Benefit reforms. (55)

2.114 **Support for Mortgage Interest (SMI)** – During the recession, the SMI scheme was temporarily set at a higher capital level with a shorter waiting period. Summer Budget 2015 announces that, from 1 April 2016, the SMI waiting period will return to the pre-recession length of 39 weeks, but the capital limit will be maintained at the higher level of £200,000. From April 2018, new SMI payments will be paid as a loan. Loans will be repaid upon sale of the house, or when claimants return to work. Payments will accrue interest at a rate tied to the OBR forecast of gilts. (49)

2.115 **Benefits uprating** – Most working-age benefits will be frozen for 4 years from April 2016. This will apply to Jobseekers' Allowance; Employment and Support Allowance; Income Support; Child Benefit; applicable amounts for Housing Benefit; and Local Housing Allowance rates, with provision for high rent areas. This excludes Maternity Allowance; Statutory Sick Pay; Statutory Maternity Pay; Statutory Paternity Pay; Statutory Shared Parental Pay; and Statutory Adoption Pay; disability, carers and pensioners' premia in the frozen benefits; the Employment and Support Allowance Support Group component; and other disability, carer and pensioner benefits, which will continue to be uprated in relation to prices or earnings as applicable. (37)

2.116 **Tax credits uprating** – The uprating freeze will extend to the Child Tax Credit and Working Tax Credit (excluding disability elements). All disability elements will continue to be uprated by prices each year. (37)

Corporate tax

2.117 **Corporation tax rates** – The government will reduce the corporation tax rate from 20% to 19% in 2017 and 18% in 2020. (Summer Finance Bill 2015) (9)

2.118 **Corporation tax payment dates** – The government will introduce new payment dates for companies with annual taxable profits of £20 million or more. Where a company is a member of a group, the £20 million threshold will be divided by the number of companies in the group. Affected companies will be required to pay corporation tax in quarterly instalments in the third, sixth, ninth and twelfth months of their accounting period. The measure will apply to accounting periods starting on or after 1 April 2017. The government will publish legislation in draft in the autumn. (12)

2.119 **Corporation tax: orchestra tax relief** – As announced at March Budget 2015, the government will provide tax relief to orchestras at a rate of 25% on qualifying expenditure from 1 April 2016. (Finance Bill 2016)

2.120 **Capital allowances: Annual Investment Allowance (AIA)** – The government will increase the permanent level of the AIA from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016. (Summer Finance Bill 2015) (10)

2.121 **Research and development (R&D) tax credits: universities and charities** – The government will correct an anomaly in the R&D tax credits legislation so that universities and charities are unable to claim the R&D Expenditure Credit (RDEC), in line with the original intention of the policy. This will apply to expenditure from 1 August 2015. (Summer Finance Bill 2015)

2.122 **Company distributions: consultation on rules** – The government will consult on the rules for company distributions in autumn 2015.

2.123 **Modernisation of the taxation of corporate debt and derivative contracts** – The government will introduce legislation to modernise the corporation tax rules governing the

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taxation of corporate debt 'loan relationships' and derivative contracts. The changes are wide ranging, and include: clarifying the relationship between tax and accounting; basing taxable loan relationship profits on accounting profit and loss entries; a new 'corporate rescue' rule to provide tax relief where loans are released or modified in cases of debtor companies in financial distress; and a new regime-wide anti-avoidance rules for both loan relationships and derivative contracts. The changes will generally take effect for accounting periods commencing on or after 1 January 2016. (Summer Finance Bill 2015)

2.124 Restriction of corporation tax relief for business goodwill amortisation – The government will restrict the corporation tax relief a company may obtain for the cost of 'goodwill' (the reputation and customer relationships associated with a business). This will affect all acquisitions and disposals on or after 8 July 2015. (Summer Finance Bill 2015) (24)

2.125 Business tax roadmap – The government will publish a Business tax roadmap by April 2016, setting out its plans for business taxes over the rest of the Parliament.

2.126 Bank corporation tax surcharge – The government will introduce a supplementary tax on banking sector profit of 8% from 1 January 2016. The tax will apply to banks' corporation tax profit before the use of any existing carried-forward losses. The tax will not apply to the first £25 million of profit within a group. (Summer Finance Bill 2015) (11)

2.127 Bank levy reform – The government will reduce the full bank levy rate from 0.21% to 0.18% in 2016, 0.17% in 2017, 0.16% in 2018, 0.15% in 2019, 0.14% in 2020 and 0.10% in 2021. The government will also legislate in this Parliament to change the tax base to UK operations from 1 January 2021. (Summer Finance Bill 2015) (11)

2.128 Bank levy double tax relief – In line with its policy on avoiding double impositions, the government will provide relief against the UK bank levy for payments made to the Eurozone Single Resolution Fund. Affected banks will be able to claim relief from 1 January 2016.

2.129 Tax treatment of banks' compensation payments – As announced at March Budget 2015, compensation expenses relating to banks' widespread misconduct and mis-selling will be made non-deductible for corporation tax purposes. The measure will apply to expenses incurred on or after 8 July 2015. (Summer Finance Bill 2015)

2.130 Banking tax definitions – The government will make a change to how banking companies are defined within the bank levy and bank loss-relief restriction legislation to ensure that this definition is aligned with regulatory standards and continues to deliver the stated policy objectives. (Summer Finance Bill 2015)

2.131 Loss-relief restriction allowance – The government will extend the £25 million allowance within the bank loss relief legislation to cover banks incorporated under the 1819 Savings Bank Act. The effect of this extension will be backdated to 1 April 2015. (Summer Finance Bill 2015)

Oil and gas taxes

2.132 UK Continental Shelf (UKCS) investment and cluster area allowances – The government will broaden the application of the basin-wide investment and cluster area allowances to support investment on the UKCS. The definition of investment expenditure will be extended to include certain discretionary non-capital spend and long term leasing of production units. The allowance exempts a portion of a company's profits from the Supplementary Charge. (14)

Indirect taxes

2.133 Insurance premium tax standard rate – From 1 November 2015, the standard rate of insurance premium tax (IPT) will be increased by 3.5 percentage points to 9.5%. From this date all premiums received by insurers using the IPT cash accounting scheme will be charged at 9.5%. For insurers using the special accounting scheme, there will be a 4 month concessionary period that will begin on 1 November 2015 and end on 29 February 2016, during which premiums received that relate to policies entered into before 1 November 2015 will continue to be liable to IPT at 6%. From 1 March 2016 all premiums received by insurers will be taxed at the new rate of 9.5%, regardless of when the policy was entered into. (Summer Finance Bill 2015) (19)

2.134 Insurance premium transparency – The government has asked the Financial Conduct Authority (FCA) to review what more can be done to encourage people to shop around for their insurance.

2.135 Regulation of claims management companies – Summer Budget announces a fundamental review of the regulation of claims management companies (CMCs), which will report to HM Treasury and the Ministry of Justice in early 2016. Summer Budget also announces that the government will bring forward proposals for the introduction of a cap on the charges CMCs can apply to their customers. The government will consult on this and how it could work in practice.

2.136 VAT on services used and enjoyed in the UK – The government will apply VAT 'use and enjoyment' provisions so that from next year, it will be clear that all UK repairs made under UK insurance contracts will be subject to VAT in the UK. In addition, the government will consider a wider review of off-shore based avoidance in VAT exempt sectors, with a view to introducing additional use and enjoyment measures for services such as advertising in the following year. (30)

2.137 VAT refunds for shared services – The government will legislate to refund to eligible public bodies the VAT incurred on specified shared services. (Finance Bill 2016)

2.138 Tobacco levy – Following a period of consultation, the government will not proceed with a tobacco levy as the impacts on the tobacco market would be the same as a duty rise but with added complexity, costs and delay.

2.139 Control of raw tobacco – As announced at March Budget 2015, the government will introduce a registration scheme for users and dealers in raw tobacco and will launch a technical consultation on the design and scope of the scheme. (Finance Bill 2016)

2.140 Tackling illicit tobacco abroad – The government will expand its Fiscal Crime Liaison Officer network and the supporting UK intelligence staff in order to reduce the supply of illicit tobacco from Europe, enhance our overseas footprint and further develop international collaboration and partnerships. (34)

2.141 Tackling illicit tobacco – As part of the refreshed tobacco strategy the government will expand the number of criminal investigation teams in HMRC working on tobacco fraud by 50% and recruit additional Crown Prosecution Service staff to manage additional prosecutions. (34)

2.142 Tackling illicit alcohol – The government will set up a new national alcohol control room and introduce a mobile taskforce in order to tackle alcohol fraud. (34)

2.143 Small cider – The UK is discussing with the EU Commission and other Member States reforms to the relevant alcohol Directive so that it includes explicit references to give Member States the flexibility to support small cider makers through the duty regime. In parallel, the government is also looking at alternatives that could apply. The government will work with

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industry on both of these. The government will retain the current duty exemption for small cider producers until and unless a replacement scheme is established.

Horserace betting right

2.144 Horserace betting right – The government remains committed to replacing the current levy system to create a level playing field for British based and offshore gambling operators. The detailed design of a Horserace Betting Right is now under way and is expected to be completed later this year.

Transport taxes

2.145 Reform of vehicle excise duty (VED) rates and bands for post-2017 cars – The government will introduce a new VED banding system for cars registered on or after 1 April 2017. First year rates (FYRs) will vary according to the carbon dioxide emissions of the vehicle. There will be a flat standard rate (SR) of £140 for all cars except those emitting 0 grams of carbon dioxide per kilometre (gCO_2/km), for which the standard rate will be £0. Cars with a list price above £40,000 will attract a supplement of £310 per year for the first 5 years in which the standard rate is paid. The new VED system will be reviewed as necessary to ensure that it continues to incentivise the cleanest cars. The new rates and bands are set out in Table 2.5 below. (Summer Finance Bill 2015) (20)

Table 2.5: VED bands and rates for cars first registered on or after 1 April 2017

CO_2 emissions (g/km)	First year rate	Standard rate*
0	£0	£0
1-50	£10	£140
51-75	£25	£140
76-90	£100	£140
91-100	£120	£140
101-110	£140	£140
110-130	£160	£140
131-150	£200	£140
151-170	£500	£140
171-190	£800	£140
191-225	£1200	£140
226-255	£1700	£140
Over 255	£2000	£140

*cars with a list price of over £40,000 when new pay a supplement of £310 per year on top of the standard rate, for five years.

2.146 Creating a Roads Fund – From 2020-21 the government will spend all of the revenue raised from VED in England on the English Strategic Road Network.

2.147 Air Passenger Duty (APD) devolution – The government is today publishing a discussion paper on options for supporting English regional airports with the impacts of APD devolution.

2.148 Fuel duty for aqua-methanol – The government will legislate to apply a reduced rate of fuel duty to aqua-methanol in Finance Bill 2016. (Finance Bill 2016)

2.149 Company car tax rates for 2019-20 – As announced at March Budget 2015, the appropriate percentage of list price subject to tax will increase by 3 percentage points for cars emitting more than 75 grams of carbon dioxide per kilometre (gCO_2/km), to a maximum of 37%, in 2019-20. There will be a 3 percentage point differential between the 0-50 and 51-75 gCO_2/km bands and between the 51-75 and 76-94 gCO_2/km bands. (Finance Bill 2016)

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Environment and energy taxes

2.150 Climate Change Levy (CCL) – The government will remove the Climate Change Levy exemption for renewably sourced electricity from 1 August 2015. There will be a transitional period for suppliers, from 1 August 2015, to claim the CCL exemption on any renewable electricity that was generated before that date. The government will discuss the details of this transitional period with stakeholders over the summer and autumn, to determine an appropriate length for it. (Summer Finance Bill 2015, Finance Bill 2016) (23)

2.151 Aggregates Levy – The government will reinstate exemptions from the Aggregates Levy that were recently found lawful by the European Commission. From 1 August, businesses can stop paying tax on the exempted materials and reclaim tax paid on these since the exemptions were suspended in April 2014. (Summer Finance Bill 2015)

2.152 Environmental taxes – The government will continue to use the tax system to encourage positive environmental outcomes where tax is an effective instrument to do so, for example in reforming VED and the business energy tax landscape. The government will not extend the Coalition government's commitment to increasing the proportion of revenue from environmental taxes to this Parliament, as such a target does not always reflect the success of government policy in achieving environmental outcomes.

2.153 Business energy tax reform – The government will review the business energy efficiency tax landscape and consider approaches to simplify and improve the effectiveness of the regime. The review will consider the Climate Change Levy (CCL), Carbon Reduction Commitment energy efficiency scheme and their interaction with other business energy efficiency policies and regulations. A consultation will be launched in the autumn.

Property tax

2.154 Stamp Duty Land Tax (SDLT): application to certain authorised property funds As previously announced, the government intends to introduce a seeding relief for Property Authorised Investment Funds (PAIFs) and Co-ownership Authorised Contractual Schemes (CoACSs) and intends to make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units, subject to the resolution of potential avoidance issues. (Finance Bill 2016)

2.155 Business rates: administration and avoidance – The government has today published progress updates on action it is taking to improve the administration of business rates, including the appeals system, and on tackling business rates avoidance.

2.156 Business rates: local newspapers – The government is today publishing a consultation on the introduction of a business rates relief for local newspapers.

Tax simplification

2.157 Office of Tax Simplification (OTS) – The government will establish the OTS on a statutory basis as a permanent office of HM Treasury. Details will be published shortly. (Finance Bill 2016)

2.158 Office of Tax Simplification report – The government will commission the OTS to review the closer alignment of income tax and National Insurance contributions.

2.159 Office of Tax Simplification report – The government will commission the OTS to review the taxation of small companies.

2.160 Consortium link company rule – As announced at Autumn Statement 2014, the government has, with effect from 10 December 2014, removed all requirements relating to the location of the 'link company' for consortium claims to group relief at section 133 Corporation

Tax Act 2010 (CTA 2010). This measure makes the tax system simpler by removing differences in treatment of link companies based in the UK and other jurisdictions. (Summer Finance Bill 2015)

2.161 Taxation of employee benefits and expenses – As announced at Autumn Statement 2014, from April 2016 the government will simplify the tax system by introducing a statutory exemption for trivial benefits in kind costing less than £50. (Finance Bill 2016)

2.162 Simplified expenses: legislative amendments – The government will amend the simplified expenses regime introduced in Finance Act 2013 to ensure that partnerships can fully access the provisions in respect of the use of a home and where business premises are also a home. (Finance Bill 2016)

2.163 Self-employed National Insurance contributions – The government will consult in autumn 2015 on abolishing Class 2 National Insurance contributions (NICs) and reforming Class 4 NICs for the self-employed.

2.164 Simplification of the treatment of termination payments – The government will consult on the tax and National Insurance contributions (NICs) treatment of termination payments, to make the system simpler and fairer.

2.165 Reviewing the rules for tax relief on travel and subsistence expense – As announced at Budget 2014, following a report by the OTS, the government will review the rules underlying the tax treatment of travel and subsistence expenses. A discussion paper will be published shortly outlining a potential framework for new rules.

2.166 Making tax easier – The government will publish a roadmap by the end of the year showing how it will transform tax administration for individuals and small businesses over this Parliament. Over the summer, HMRC will begin discussing the policy choices underpinning this roadmap with key stakeholders and delivery partners, including small businesses and customer representatives.

HMRC debtor and creditor interest rate

2.167 Simplification of HMRC debtor and creditor interest rate – The government will set the rate of interest which applies on taxation-related debts payable under a court judgment or order by HMRC to a rate equal to the Bank of England base rate plus 2%. The government will also apply the late payment interest rate of 3% to taxation-related debts owed to HMRC under a court judgment or order. These changes will apply to new and pre-existing judgments and orders in respect of interest accruing on and after 8 July 2015. (Summer Finance Bill 2015)

Tax avoidance and tax planning, evasion and compliance

Tax evasion, fraud and compliance

2.168 Financial Intermediaries writing to their customers in advance of receipt of data under the Common Reporting Standard – The government will legislate to require financial intermediaries (including tax advisers) to notify their customers about the Common Reporting Standard, the penalties for evasion and the opportunities to disclose. (Summer Finance Bill 2015)

2.169 HMRC tax enquiries: closure rules – At Autumn Statement 2014, the government announced a consultation on a proposal to introduce a new power, enabling HMRC to achieve early resolution and closure of 1 or more aspects of a tax enquiry whilst leaving other aspects open. HMRC will respond to this consultation during the summer.

2.170 Direct recovery of debts – This government will introduce legislation to modernise and strengthen HMRC's powers to recover tax and tax credit debts directly from debtors' bank and building society accounts, including funds held in cash ISAs. Having widely consulted,

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this measure will be subject to robust safeguards including a county court appeal process and a face-to-face visit to every debtor before they are considered for debt recovery through this measure. (Summer Finance Bill 2015)

2.171 Criminal investigations – The government will increase funding to HMRC by a total of over £60 million by 2020-21 to allow HMRC to step up criminal investigations into serious and complex tax crime particularly focusing on wealthy individuals and corporates, with the aim of raising £600 million by the end of the Parliament. (33)

2.172 Tackling the hidden economy – The government will extend HMRC's powers to acquire data from online intermediaries and electronic payment providers to find those operating in the hidden economy. We will legislate at Finance Bill 2016 to achieve this, following a consultation on the detail. We will invest in new HMRC investigators from 2016 to exploit this data. The government will also create a digital disclosure channel which makes it simple for taxpayers to disclose unpaid tax liabilities. (Finance Bill 2016) (35)

2.173 Additional compliance resource: local compliance – The government will invest around £300 million over 5 years from 2016 to tackle non-compliance by small and mid-sized businesses, public bodies and affluent individuals. This measure will result in additional tax receipts of over £2 billion by 2020-21. (36)

Marketed avoidance schemes

2.174 Serial avoiders – The government will publish a consultation, ahead of introducing legislation in Finance Bill 2016, for serial avoiders who persistently enter into tax avoidance schemes which are defeated. These include a special reporting requirement and a surcharge on those whose latest tax return is inaccurate as a result of a further defeated avoidance scheme, restricting access to reliefs for the minority who have a record of trying to abuse them, and developing further measures to name serial avoiders. The scope of the Promoters of Tax Avoidance Schemes regime would be widened by bringing in promoters whose schemes are regularly defeated. (Finance Bill 2016)

2.175 General Anti-Abuse Rule (GAAR) penalty – The government will publish a consultation to consider the detail of introducing a GAAR penalty as well as considering new measures to strengthen the GAAR further. (Finance Bill 2016)

Business tax

2.176 Large business tax compliance – The government will invest additional resources in large business compliance work to further extend our efforts to tackle evasion, avoidance and aggressive tax planning by large businesses. The government will also consult on new measures to increase compliance and tax transparency in relation to large business tax strategies. These will include the introduction of a 'special measures' regime to tackle businesses that persistently adopt highly aggressive behaviours including around tax planning, and a voluntary Code of Practice defining the standards HMRC expects large businesses to meet in their relationship with HMRC. (31)

2.177 Controlled Foreign Companies (CFC) loss relief restriction – The government will remove the ability for companies to use UK losses and reliefs against a CFC charge from 8 July 2015. This will improve the effectiveness of the CFC regime in both deterring the diversion of profits and in taxing any profits that are diverted. (Summer Finance Bill 2015) (28)

2.178 Disposal of stock other than in trade – The government will amend legislation relating to trading stock and intangible assets, to ensure that disposals made other than in the normal course of business are brought into account for tax purposes at full open market value. This amendment will stop corporate groups from using a transfer pricing override to manipulate the value of assets in intergroup transfers. (Summer Finance Bill 2015) (29)

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2.179 Taxation of carried interest: Base cost shifting and cherry picking – The government will introduce legislation, effective from 8 July 2015, to ensure that sums which arise to investment fund managers by way of carried interest will be charged to the full rate of capital gains tax, with only limited deductions being permitted. The government will also launch a consultation to better understand the activities of collective investment schemes, to determine under what circumstances performance returns should be taxed as a capital gain. It is not anticipated this will alter the tax treatment of carried interest. (Summer Finance Bill 2015) (27)

Personal tax

2.180 Additional resource to target non-compliance by wealthy individuals – The government will provide additional resource to HMRC to allow it to identify and tackle tax evasion and other non-compliance among wealthy individuals by extending HMRC's Customer Relationship Model to individuals with net wealth between £10-20 million, and to pursue more criminal investigations against wealthy individuals evading tax. The government will also consult on enhancing the information reported to HMRC by wealthy individuals and trustees. (33)

2.181 Additional specialist personal tax (SPT) resource – The government will invest an additional £36 million over 5 years from 2016 to tackle serious non-compliance by trusts, pension schemes and non-domiciled individuals. (32)

2.182 Employment intermediaries and tax relief for travel and subsistence – As announced at March Budget 2015, the government has published a consultation document alongside the Summer Budget on detailed proposals to restrict tax relief for travel and subsistence for workers engaged through an employment intermediary, such as an umbrella company or a personal service company. The changes will take effect from 6 April 2016. (Finance Bill 2016)

2.183 IR35 reform – The government will engage with stakeholders this year on how to improve the effectiveness of existing intermediaries legislation ('IR35') which is designed to protect against disguised employment. A discussion document will be published after Summer Budget 2015.

Financial services

2.184 Limited partnership consultation – The government will publish a consultation on technical changes to limited partnership legislation to enable private equity and venture capital investment funds to more effectively use the limited partnership structure.

2.185 Office of Financial Sanctions Implementation – The government has reviewed the structures within HM Treasury for the implementation of financial sanctions and its work with the law enforcement community, to ensure these sanctions are properly enforced and businesses are made better aware of the rules they are being asked to comply with. The Chancellor of the Exchequer will establish this financial year an Office of Financial Sanctions Implementation within the Treasury. The Office will provide a high quality service to the private sector, working closely with law enforcement to help ensure that financial sanctions are properly understood, implemented and enforced. This will ensure financial sanctions make the fullest possible contributions to the UK's foreign policy and national security goals and help maintain the integrity of and confidence in the UK financial services sector. The government will also legislate early in this Parliament to increase the penalties for non-compliance with financial sanctions.

2.186 Competition in SME lending – The government will introduce final legislation implementing 2 major reforms to the SME lending market. The first will require the UK's major banks to share credit information on their SME customers with other finance providers through designated Credit Reference Agencies (CRAs). The second will require those same banks to offer

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SMEs they reject for finance the opportunity to be referred to a Finance Platform that can help match them with alternative lenders.

Supply side reform of the economy

Transport and infrastructure

2.187 **Roads Fund** – The government will create a new Roads Fund, funded from 2020-21 directly by the revenues from vehicle excise duty to ensure continued high and stable investment in the strategic road network for generations to come.

2.188 **Roads Investment Strategy** – The government will produce a second Roads Investment Strategy for the period 2020-25 before the end of this Parliament, based on this new Roads Fund.

2.189 **Rail fares** – To help households with living costs, the government will continue to cap the increase in regulated rail fares to RPI for the whole of this Parliament.

2.190 **Network Rail: future shape and financing** – The government has asked Nicola Shaw, Chief Executive of High Speed 1, to advise the government on how it should approach the longer-term future shape and financing of Network Rail. Nicola Shaw will work closely with Sir Peter Hendy, the new chairman of Network Rail, in conducting her work, which will be concluded before Budget 2016.

2.191 **Network Rail: devolving power to route managers** – The government has asked Sir Peter Hendy and Mark Carne, Chief Executive of Network Rail, to continue with the work started in Network Rail to devolve more power to route managers closer to the front line, so that the railways are more focused on delivering what passengers need and to drive comparative benchmarking of the efficiency and effectiveness of individual routes – to drive up performance across the network.

2.192 **Network Rail: funding flows** – The government will change the way it channels public money through the industry, directing it through the train operating companies, so that Network Rail focuses firmly on the needs of train operators and, through them, passengers. This will put the customers of the railway back in the driving seat in demanding efficiency and improvements that matter to them, making the best use of scarce capacity on the rail network.

2.193 **Network Rail: land and property** – The government will establish a dedicated body to focus on pursuing opportunities to realise value from public land and property assets in the rail network to both maximise the benefit to local communities and reduce the burden of public debt.

2.194 **MOT** – The government will explore the options for requiring motorists with new cars to undergo the first MOT after 4 years rather than 3, as part of the forthcoming Motoring Services Strategy.

Energy and environment

2.195 **Onshore electricity transmission** – The government will publish proposals to extend competitive tendering to onshore electricity network transmission assets.

2.196 **Energy market switching** – The government will work to increase switching in energy markets, as part of wider work to promote competition. In order to achieve this, government will:

- work with Ofgem with the aim of introducing 24-hour switching by the end of 2018, building on previous action to reduce switching times to 17 days
- work with industry to introduce a switching guarantee to improve trust in the switching process

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- further develop the use of Midata to facilitate effective price comparisons
- work towards improved transparency and visibility on microbusiness tariffs, recognising the particular difficulties microbusinesses face in switching providers

Science and innovation

2.197 Regius Professorships – The government will introduce new Regius Professorships in order to recognise scientific excellence in universities across the UK. The competition will be launched later this year, with a view to making awards to celebrate the Queen's 90th birthday.

2.198 Digital Economy Centres – The government will invest £23 million in Next Stage Digital Economy Centres. This investment at 6 sites (UCL, Swansea, Newcastle, Nottingham, York and Bath), has leveraged £22 million of additional funding.

2.199 Regional science and innovation audits – The government will work with universities, LEPs, cities, and businesses to map science and innovation strengths and identify potential areas of strategic focus for different regions.

Education and skills

2.200 Childcare – From September 2017, the government will extend the free childcare entitlement to 30 hours a week for working parents of 3 and 4 year olds. (6)

2.201 Apprenticeships levy – The government will introduce a levy on large UK employers to increase the number of apprenticeship starts. In England, employers will be able to access this funding for apprenticeship training. Details including rates and implementation will be set out in the Spending Review.

2.202 Student maintenance – Maintenance loan support will rise for students from low and middle income backgrounds up to £8,200 a year studying away from home, outside London. From the 2016-17 academic year, maintenance grants will be replaced with maintenance loans for new students from England, paid back only when their earnings exceed £21,000 a year.

2.203 Student loans – The government will consult on freezing the loan repayment threshold for the next 5 years and review the discount rate applied to student loans and other transactions to bring it more into line with the government's long-term cost of borrowing.

2.204 Teaching quality – The government will allow institutions offering high teaching quality to increase their tuition fees in line with inflation from 2017-18, and consult on the mechanisms to do this.

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A Financing

A.1 This annex sets out revisions to the government's financing plans for 2015-16, which were previously updated on 23 April 2015. Further details of the revised remit for 2015-16, including progress against the remit to date, can be found on the Debt Management Office's (DMO) website at www.dmo.gov.uk. The government's debt management framework remains as set out in the Debt and reserves management report 2015-16.

Financing arithmetic

A.2 As set out in Chapter 4 of the Office for Budget Responsibility's (OBR) July 2015 'Economic and fiscal outlook' (EFO), the forecast for the 2015-16 central government net cash requirement (excluding NRAM plc, Bradford and Bingley and Network Rail) (CGNCR (ex NRAM, B&B and NR)) is £71.6 billion. This measure of the government's cash requirement is used in the financing arithmetic as it reflects the forecast cash requirement of the Exchequer. The relationship between public sector net borrowing and the CGNCR (ex NRAM, B&B and NR) is set out in the OBR's July 2015 EFO.

A.3 The net financing requirement (NFR) comprises the CGNCR (ex NRAM, B&B and NR) plus any financing for gilt redemptions, planned financing for the reserves and other adjustments, less the net contribution to financing from National Savings and Investments (NS&I) and any other in-year contributions to financing.

A.4 The NFR for 2015-16 is projected to be £123.9 billion, a reduction of £14.0 billion relative to that anticipated in April 2015. The change solely reflects the reduction in the OBR's forecast for the CGNCR (ex NRAM, B&B and NR) of £14.0 billion to £71.6 billion, arising from:

- reductions in public sector net borrowing for 2015-16
- income from asset sales including Lloyds, RBS and Royal Mail

A.5 The majority of the reduction to the NFR will be accommodated by a change in the planned end-year stock of Treasury bills. There will be a net reduction in the Treasury bill stock of £10.5 billion relative to the previously planned stock of £72.0 billion, taking the planned end-March 2016 Treasury bill stock to £61.5 billion.

A.6 Planned gilt sales in 2015-16 will be reduced by £3.5 billion to £127.4 billion. This will be accommodated through a reduction in planned average auction sizes. The updated financing arithmetic is set out in Table A.1.

Gilt issuance by maturity, type and method

A.7 Auctions will remain the government's primary method of gilt issuance. In 2015-16, it is anticipated that:

- £99.2 billion (77.9% of total issuance) will be issued by auction
- £24.5 billion (19.2% of total issuance) will be issued by syndication

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A.8 In addition:

- £1.0 billion (0.8% of total issuance) has been issued by mini-tender
- £2.7 billion (2.1% of total issuance) remains outstanding from an initially unallocated portion of supplementary issuance of £4.0 billion, to be delivered via syndication or mini-tender

A.9 The maturity skew of gilt issuance by auction and syndication was previously set out in April 2015. This skew will remain broadly unchanged:

- short maturity conventional gilt issuance by auction will fall by £0.9 billion to £32.3 billion (25.4% of total issuance)
- medium maturity conventional gilt issuance by auction will fall by £0.8 billion to £25.4 billion (19.9% of total issuance)
- long maturity conventional gilt issuance by auction will fall by £0.9 billion, however an additional £1.0 billion was allocated to long maturity conventional gilts via a mini-tender in June 2015. Taking this into account, long maturity conventional issuance will now increase by £0.1 billion to £36.8 billion (28.9% of total issuance)
- index-linked gilt issuance by auction will fall by £0.9 billion, however an additional £0.3 billion was allocated to index-linked gilts via a syndication in June 2015. Taking this into account, index-linked gilt issuance will now fall by £0.6 billion to £30.2 billion (23.7% of total issuance)

Reserves

A.10 The financing arithmetic provides for £5.3 billion of sterling financing for the Official Reserves in 2015-16, as set out in the Revision to the DMO's Financing Remit 2015-16, 23 April 2015. This is £0.7 billion less than planned at March Budget 2015, reflecting an offsetting increase in financing in 2014-15 due to increased investments in reserve assets being brought forward at the end of the 2014-15 financial year.

A.11 The government is planning on the basis of sterling financing for the Official Reserves of £6.0 billion per year on average, over the 4 years from 2016-17 up to, and including, 2019-20, thereafter the government has adopted a neutral assumption. This additional financing, announced at Autumn Statement 2014, is intended to ensure that the level of foreign currency reserves held is sufficient for the UK to remain resilient to possible future shocks.

National Savings and Investments

A.12 NS&I has a net financing target, which remains at £10.0 billion in 2015-16, within a range of £8.0 to £12.0 billion. This target accommodates sales of NS&I's market-leading bonds for people aged 65 and over (the '65+ bond') in 2015-16, as well as the increase in the Premium Bond limit from £40,000 to £50,000 from 1 June 2015.

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Table A.1: Financing arithmetic in 2015-16

£ billion	April 2015	Summer Budget 2015
CGNCR (ex NRAM, B&B and NR)	85.6	71.6
Gilt redemptions	70.2	70.2
Planned financing for the reserves	5.3	5.3
Financing adjustment carried forward from previous financial years	-13.1	-13.1
Gross financing requirement	148.1	134.1
less:		
Contribution from National Savings and Investments	10.0	10.0
Other financing[1]	0.2	0.2
Net financing requirement (NFR) for Debt Management Office (DMO)	137.9	123.9
Financed by:		
1. Debt issuance by DMO		
a) Treasury bills (planned change in stock issued at tenders)	7.0	-3.5
b) Gilt sales	130.9	127.4
of which:		
– Short conventional	33.2	32.3
– Medium conventional	26.2	25.4
– Long conventional	36.7	36.8
– Index-linked	30.8	30.2
– Unallocated supplementary sales	4.0	2.7
2. Planned change in the level of Ways and Means	0.0	0.0
Total financing	137.9	123.9
Short-term debt/cash levels at end of financial year		
End-year Treasury bill stock via tenders (in market hands)[2]	72.0	61.5
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5

Figures may not sum due to rounding.

[1] *Prior to publication of the end-year outturn in April each year, this financing item will only comprise estimated revenue from coinage.*

[2] *The DMO has operational flexibility to vary the end-financial year stock by a maximum of £5 billion relative to the planning assumption, to offset any anticipated net Exchequer cash surplus or deficit towards year end.*

Illustrative future gross financing requirement

A.13 Table A.2 sets out the updated illustrative gross financing requirement for the next 5 years, using the OBR July 2015 forecast for the CGNCR (ex NRAM, B&B and NR) and current planned gilt redemptions.

Table A.2: Illustrative gross financing requirement

£ billion	2016-17	2017-18	2018-19	2019-20	2020-21
CGNCR (ex NRAM, B&B and NR) projections	59	34	14	-2	11
Gilt redemptions	70	79	67	93	64
Financing for the reserves	6	6	6	6	0
Illustrative gross financing requirement	135	120	87	97	75

Figures may not sum due to rounding.

B Welfare cap

B.1 The level of the welfare cap for this Parliament is set out in Table 1.7.

B.2 Table B.1 sets out a full list of expenditure items within the scope of the welfare cap. The Treasury will seek the approval of the House of Commons for any changes to the list of items of expenditure which fall within the scope of the welfare cap, including where a new welfare cap level and / or margin are being set

Table B.1: Benefits and tax credits in scope of the welfare cap

In scope	Not in scope
Attendance Allowance	Benefits paid from DEL[2]
Bereavement benefits	Jobseeker's Allowance and its passported Housing Benefit
Carer's Allowance	State Pension (basic and additional)
Child Benefit[1]	Transfers within government (e.g. over 75s TV licences)
Christmas Bonus	Universal Credit payments to claimants subject to full conditionality and on zero income
Disability Living Allowance	
Employment and Support Allowance	
Financial Assistance Scheme	
Housing Benefit (except HB passported from JSA)	
Incapacity Benefit	
Income Support	
Industrial Injuries Benefits	
In Work Credit	
Maternity Allowance	
Pension Credit	
Personal Independence Payment	
Personal Tax Credits	
Return to Work Credit	
Severe Disablement Allowance	
Social Fund – Cold Weather Payments	
Statutory Adoption Pay	
Statutory Maternity Pay	
Statutory Paternity Pay	
Tax Free Childcare	
Universal Credit (except payments to jobseekers)	
Winter Fuel Payments	

[1] *Includes Guardian's Allowance.*
[2] *These payments are subject to firm spending control through the usual DEL process.*

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C OBR's Economic and fiscal outlook: selected tables

C.1 The Office for Budget Responsibility (OBR) has published its July 2015 'Economic and fiscal outlook' alongside Summer Budget 2015. This annex reproduces the OBR's key projections for the economy and public finances. Further detail and explanation can be found in the OBR's report.

Table C.1: Detailed summary of OBR central economic forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2014	2015	2016	2017	2018	2019	2020
UK economy							
Gross domestic product (GDP)	3.0	2.4	2.3	2.4	2.4	2.4	2.4
GDP level (2014=100)	100.0	102.4	104.8	107.4	109.9	112.5	115.2
Nominal GDP	4.6	3.5	4.0	4.3	4.3	4.4	4.8
Output gap (per cent of potential output)	-1.0	-0.6	-0.4	-0.2	0.0	0.0	0.0
Expenditure components of GDP							
Domestic demand	3.5	2.9	2.7	2.5	2.5	2.5	2.5
Household consumption[1]	2.5	3.0	2.5	2.4	2.4	2.3	2.0
General government consumption	1.6	1.2	0.5	0.3	0.1	0.3	2.6
Fixed investment	8.6	5.6	5.6	5.5	5.4	5.4	4.1
Business	8.0	6.0	7.2	6.9	6.6	6.5	4.7
General government[2]	3.4	2.4	-0.1	0.9	2.4	2.3	2.0
Private dwellings[2]	13.1	6.3	4.8	4.4	4.0	3.9	3.3
Change in inventories[3]	0.3	-0.2	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	0.5	3.8	3.8	4.2	4.1	3.9	3.9
Imports of goods and services	2.4	5.1	4.6	4.3	4.3	4.2	4.2
Balance of payments current account							
Per cent of GDP	-5.9	-5.0	-3.9	-3.1	-3.0	-2.9	-2.8
Inflation							
CPI	1.5	0.1	1.1	1.6	1.8	1.9	2.0
RPI	2.4	0.9	2.1	2.8	3.1	3.1	3.2
GDP deflator at market prices	1.6	1.1	1.6	1.8	1.9	2.0	2.4
Labour market							
Employment (millions)	30.7	31.2	31.5	31.6	31.7	31.9	32.1
Productivity per hour	0.4	0.9	1.7	2.4	2.4	2.2	2.2
Wages and salaries	4.2	4.2	4.5	4.3	4.3	4.6	4.9
Average earnings[4]	2.6	2.2	3.6	3.9	3.9	4.1	4.4
LFS unemployment (% rate)	6.2	5.4	5.1	5.2	5.3	5.4	5.4
Claimant count (millions)	1.04	0.78	0.73	0.75	0.77	0.78	0.79
Household sector							
Real household disposable income	0.8	3.9	2.3	2.1	1.8	1.8	1.8
Saving ratio (level, per cent)	6.1	6.5	7.1	7.3	7.4	7.5	7.5
House prices	10.0	5.7	4.1	4.7	5.3	5.6	5.6
World economy							
World GDP at purchasing power parity	3.4	3.2	3.7	3.8	3.8	3.9	3.9
Euro area GDP	0.9	1.5	1.7	1.6	1.6	1.6	1.6
World trade in goods and services	3.2	4.1	4.8	4.9	5.0	5.0	5.0
UK export markets[5]	3.5	3.2	4.5	4.7	4.9	4.9	4.9

[1] Includes households and non-profit institutions serving households.
[2] Includes transfer costs of non-produced assets.
[3] Contribution to GDP growth, percentage points.
[4] Wages and salaries divided by employees.
[5] Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

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Table C.2: Determinants of the OBR central fiscal forecast

	Percentage change on previous year unless otherwise stated						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
GDP and its components							
Real GDP	3.0	2.2	2.5	2.4	2.4	2.4	2.4
Nominal GDP[1]	4.4	3.6	4.1	4.3	4.4	4.5	5.0
Nominal GDP (£ billion)[1,2]	1,809	1,873	1,949	2,032	2,122	2,216	2,326
Nominal GDP centred end-March (£ bn)[1,3]	1,839	1,908	1,991	2,076	2,167	2,264	2,376
Wages and salaries[4]	4.7	4.0	4.4	4.3	4.4	4.7	5.0
Non-oil PNFC profits[4,5]	9.0	4.7	3.9	4.1	3.9	4.2	4.8
Non-oil PNFC net taxable income[4]	7.9	2.1	1.3	1.0	1.2	1.7	4.3
Consumer spending[4,5]	4.0	3.8	4.0	4.4	4.5	4.5	4.4
Prices and earnings							
GDP deflator	1.4	1.0	1.7	1.8	1.9	2.1	2.5
RPI (September)[6]	2.4	0.7	2.2	3.0	3.1	3.1	3.2
CPI (September)[6]	1.2	0.0	1.2	1.7	1.8	1.9	2.0
Average earnings[7]	2.8	2.3	3.6	3.9	4.0	4.2	4.4
'Triple-lock' guarantee	2.5	2.8	3.3	3.9	3.9	4.1	4.3
Key fiscal determinants							
Claimant count (millions)	0.95	0.76	0.73	0.75	0.78	0.79	0.79
Employment (millions)	30.9	31.3	31.5	31.6	31.8	31.9	32.1
VAT gap (per cent)	9.4	9.3	9.3	9.3	9.3	9.3	9.3
Output gap (per cent of potential output)	-0.8	-0.6	-0.3	-0.1	0.0	0.0	0.0
Financial and property sectors							
Equity prices (FTSE All-share index)	3,580	3,740	3,898	4,063	4,241	4,431	4,650
HMRC financial sector profits[1,5,8]	4.4	3.6	4.1	4.3	4.4	4.5	5.0
Financial sector net taxable income[1,5]	-1.5	-3.4	1.6	2.9	5.2	7.1	11.4
Residential property prices[9]	10.1	4.6	4.2	4.9	5.4	5.6	5.7
Residential property transactions ('000's)[10]	1,204	1,209	1,254	1,320	1,387	1,424	1,436
Commercial property prices[10]	21.4	6.6	2.9	1.7	1.9	2.1	2.5
Commercial property transactions[10]	8.6	6.2	2.5	2.4	2.4	2.4	2.4
Volume of stampable share transactions	4.4	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Oil and gas							
Oil prices ($ per barrel)[5]	98.9	62.0	68.7	70.7	70.8	70.8	70.8
Oil prices (£ per barrel)[5]	60.0	40.1	43.7	44.8	44.6	44.3	44.0
Gas prices (p/therm)[5]	50.2	45.5	46.3	47.7	47.7	47.7	47.7
Oil production (million tonnes)[5]	39.7	38.3	36.7	34.9	33.4	30.9	29.4
Gas production (billion therms)[5]	13.1	12.6	11.9	11.4	10.9	10.3	9.8
Interest rates and exchange rates							
Market short-term interest rates (%)	0.6	0.6	1.2	1.7	2.0	2.2	2.4
Market gilt rates (%)[12]	2.3	2.2	2.5	2.7	2.9	3.0	3.1
Euro/Sterling exchange rate (€/£)	1.28	1.39	1.39	1.37	1.36	1.34	1.33

[1] *Not seasonally adjusted.*
[2] *Denominator for receipts, spending and deficit forecasts as a per cent of GDP.*
[3] *Denominator for net debt as a per cent of GDP.*
[4] *Nominal.*
[5] *Calendar year.*
[6] *Q3 forecast used as a proxy for September.*
[7] *Wages and salaries divided by employees.*
[8] *HMRC Gross Case 1 trading profits.*
[9] *Outturn data from ONS House Price Index.*
[10] *Outturn data from HMRC information on stamp duty land tax.*
[11] *3-month sterling interbank rate (LIBOR).*
[12] *Weighted average interest rate on conventional gilts.*

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Table C.3: Current Receipts: OBR forecast

	£ billion						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Income tax (gross of tax credits)[1]	163.7	170.2	184.8	192.6	205.8	219.9	234.6
of which: Pay as you earn	*140.0*	*145.2*	*155.1*	*165.4*	*175.0*	*186.5*	*198.9*
Self assessment	*23.6*	*25.3*	*31.3*	*29.2*	*33.1*	*35.6*	*37.7*
National insurance contributions	110.3	114.8	125.8	131.2	137.4	144.2	151.6
Value added tax	111.3	115.9	119.2	123.1	127.9	132.9	139.2
Corporation tax[2]	42.9	43.1	43.4	47.7	45.9	43.7	44.8
of which: Onshore	*40.8*	*42.5*	*42.8*	*47.2*	*45.4*	*43.4*	*44.5*
Offshore	*2.1*	*0.6*	*0.6*	*0.5*	*0.5*	*0.4*	*0.4*
Petroleum revenue tax	0.1	0.0	-0.1	0.1	0.0	0.2	0.1
Fuel duties	27.2	27.1	27.3	27.8	28.3	28.8	29.4
Business rates	27.3	28.0	29.0	29.4	30.6	31.7	32.9
Council tax	27.9	28.4	29.0	29.7	30.4	31.2	32.1
VAT refunds	13.7	13.6	13.8	13.7	13.6	13.8	14.7
Capital gains tax	5.6	6.4	7.4	8.3	9.1	10.0	10.8
Inheritance tax	3.8	4.2	4.6	4.8	4.9	5.2	5.7
Stamp duty land tax[4]	10.9	11.5	12.6	13.9	15.7	17.3	18.9
Stamp taxes on shares	2.9	3.2	3.3	3.5	3.6	3.8	4.0
Tobacco duties	9.3	9.1	9.0	9.0	9.2	9.3	9.5
Spirits duties	3.0	3.2	3.2	3.4	3.6	3.7	3.9
Wine duties	3.8	4.0	4.1	4.4	4.7	5.0	5.3
Beer and cider duties	3.6	3.5	3.4	3.6	3.6	3.7	3.7
Air passenger duty	3.2	3.1	3.2	3.3	3.5	3.7	3.8
Insurance premium tax	3.0	3.5	4.5	4.7	4.7	4.8	4.9
Climate change levy	1.6	2.3	2.4	2.3	2.2	2.1	1.9
Other HMRC taxes[5]	6.6	6.9	6.9	7.0	7.2	7.5	7.8
Vehicle excise duties	5.9	5.6	5.5	5.7	5.8	6.0	6.3
Bank levy	2.8	3.7	3.1	2.8	2.6	2.4	2.2
Bank surcharge	0.0	0.0	0.9	1.5	1.5	1.3	1.3
Licence fee receipts	3.1	3.1	3.2	3.2	3.3	3.4	3.4
Environmental levies	3.6	6.0	7.3	8.3	10.2	12.3	13.6
EU ETS auction receipts	0.4	0.3	0.3	0.4	0.4	0.5	0.6
Scottish taxes[6]	0.0	0.6	0.7	0.8	0.9	1.0	1.1
Diverted profits tax	0.0	0.0	0.3	0.4	0.3	0.4	0.4
Other taxes	6.2	7.1	7.1	7.2	7.4	7.6	7.8
National Accounts taxes	**603.6**	**628.9**	**665.2**	**693.5**	**724.4**	**757.3**	**796.3**
Less own resources contribution to EU	-3.0	-3.1	-3.2	-3.1	-3.1	-3.2	-3.5
Interest and dividends	5.8	5.8	6.6	8.6	10.2	11.8	12.6
Gross operating surplus	36.9	39.2	41.1	43.1	44.8	46.9	49.0
Other receipts	3.0	2.0	1.5	1.6	1.6	1.7	1.7
Current receipts	**646.4**	**672.8**	**711.2**	**743.7**	**777.9**	**814.4**	**856.1**
Memo: UK oil and gas revenues[7]	*2.2*	*0.7*	*0.5*	*0.6*	*0.5*	*0.5*	*0.5*

[1] *Includes PAYE, self assessment, tax on savings income and other minor components.*
[2] *National Accounts measure, gross of reduced liability tax credits.*
[3] *Includes reduced liability company tax credits.*
[4] *Forecast for SDLT is for England, Wales and Northern Ireland from 2015-16.*
[5] *Consists of landfill tax (ex Scotland from 2015-16), aggregates levy, betting and gaming duties and customs duties.*
[6] *Consists of Scottish LBTT and landfill tax but not the Scottish rate of income tax or aggregates levy.*
[7] *Consists of offshore corporation tax and petroleum revenue tax.*

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Table C.4: Total managed expenditure: OBR forecast

	£ billion						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Public sector current expenditure (PSCE)							
PSCE in RDEL[1]	**317.4**	**315.1**	**318.8**	**316.7**	**316.2**	**320.3**	**345.1**
PSCE in AME	**351.2**	**360.1**	**366.9**	**381.7**	**395.2**	**408.1**	**419.7**
of which:							
Welfare spending	214.3	216.9	213.8	216.5	219.4	222.2	227.3
of which:							
Inside welfare cap	119.1	120.6	115.2	114.6	114.0	113.5	114.9
Outside welfare cap	95.1	96.4	98.6	101.8	105.4	108.7	112.4
Company and other tax credits	2.0	2.2	2.4	2.5	2.5	2.6	2.6
Net public service pension payments	12.1	11.1	11.5	12.9	14.5	16.0	16.1
National lottery current grants	1.4	1.4	1.4	1.4	1.5	1.5	1.5
BBC current expenditure	3.9	3.9	3.8	3.8	3.7	3.6	3.5
Network Rail other current expenditure[2]	1.1	1.3	0.8	0.5	-0.1	-0.1	-0.1
Other PSCE items in departmental AME	1.2	1.2	1.1	1.1	1.1	1.1	1.1
Expenditure transfers to EU institutions	10.4	11.3	10.4	9.5	10.8	11.3	11.7
Locally-financed current expenditure	35.2	38.5	40.2	42.1	43.7	45.1	46.4
Central government debt interest, net of APF	33.0	34.6	40.8	47.7	50.7	53.2	54.3
of which:							
Central government gross debt interest	45.4	46.7	51.1	55.9	57.2	58.5	58.6
Reductions in debt interest due to APF	-12.4	-12.1	-10.3	-8.3	-6.5	-5.3	-4.3
Depreciation	27.2	29.5	31.0	32.6	34.2	35.9	37.8
Current VAT refunds	11.5	11.5	11.6	11.5	11.3	11.4	12.2
R&D expenditure	-7.5	-8.2	-8.2	-8.1	-8.1	-8.2	-8.9
Single use military expenditure	0.3	0.2	0.2	0.2	0.2	0.2	0.3
Environmental levies	3.2	5.7	7.3	8.5	10.7	13.2	14.9
Local authority imputed pensions	1.8	1.8	1.9	2.0	2.1	2.3	2.4
Other National Accounts adjustments	-0.1	-2.9	-3.0	-3.1	-3.2	-3.3	-3.4
Total public sector current expenditure	**668.6**	**675.2**	**685.7**	**698.4**	**711.4**	**728.5**	**764.8**
Public sector gross investment (PSGI)							
PSGI in CDEL[1]	**37.5**	**36.1**	**36.2**	**37.0**	**42.2**	**44.5**	**46.6**
PSGI in AME	**29.4**	**31.0**	**32.3**	**32.7**	**30.7**	**31.4**	**33.1**
of which:							
National lottery capital grants	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Network Rail capital expenditure	6.0	7.0	6.3	6.0	4.8	5.0	5.3
Other PSGI items in departmental AME	0.4	0.3	1.3	1.7	2.2	2.6	3.3
Locally-financed capital expenditure	7.9	7.0	7.8	8.2	6.5	6.5	6.5
Public corporations capital expenditure	8.5	7.4	7.7	7.7	7.7	7.5	7.6
R&D expenditure	7.5	8.2	8.2	8.1	8.1	8.2	8.9
Other National Accounts adjustments	-1.4	0.7	0.6	0.4	0.8	0.9	0.9
Total public sector gross investment	**66.9**	**67.1**	**68.6**	**69.6**	**72.9**	**75.9**	**79.7**
Less depreciation	-36.0	-38.4	-40.1	-41.9	-43.6	-45.5	-47.6
Public sector net investment	**30.9**	**28.6**	**28.4**	**27.8**	**29.2**	**30.4**	**32.1**
Total managed expenditure	**735.5**	**742.3**	**754.3**	**768.0**	**784.3**	**804.4**	**844.5**

[1] Implied DEL numbers for 2016-17 to 2020-21. Calculated as the difference between PSCE and PSCE in AME in the case of PSCE in RDEL, and between PSGI and PSGI in AME in the case of PSGI in CDEL.

[2] Other than debt interest and depreciation, which are included in totals shown separately in this table.

[3] Other than debt interest and depreciation, which are included in totals shown separately in this table.

Table C.5: OBR forecast of the headline fiscal aggregates

	Per cent of GDP						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Receipts and expenditure							
Public sector current receipts *(a)*	35.7	35.9	36.5	36.6	36.7	36.7	36.8
Total managed expenditure *(b)*	40.7	39.6	38.7	37.8	37.0	36.3	36.3
of which:							
Public sector current expenditure *(c)*	37.0	36.0	35.2	34.4	33.5	32.9	32.9
Public sector net investment *(d)*	1.7	1.5	1.5	1.4	1.4	1.4	1.4
Depreciation *(e)*	2.0	2.1	2.1	2.1	2.1	2.1	2.0
Deficit							
Public sector net borrowing *(b-a)*	4.9	3.7	2.2	1.2	0.3	-0.4	-0.5
Current budget deficit *(c+e-a)*	3.2	2.2	0.8	-0.2	-1.1	-1.8	-1.9
Cyclically-adjusted net borrowing	4.1	3.2	2.0	1.1	0.3	-0.5	-0.5
Primary balance	-3.4	-2.1	-0.4	0.8	1.7	2.4	2.3
Cyclically-adjusted primary balance	-2.6	-1.7	-0.2	0.9	1.7	2.4	2.3
Fiscal mandate and supplementary target							
Cyclically-adjusted deficit on current budget	2.4	1.7	0.5	-0.3	-1.1	-1.8	-1.9
Public sector net debt[1]	80.8	80.3	79.1	77.2	74.7	71.5	68.5
Financing							
Central government net cash requirement	5.2	2.9	2.9	1.6	0.6	0.0	0.5
Public sector net cash requirement	4.5	2.7	2.9	1.6	0.5	-0.2	0.3
Stability and Growth Pact							
Treaty deficit[2]	5.1	4.0	2.3	1.4	0.5	-0.3	-0.4
Cyclically-adjusted Treaty deficit	4.3	3.6	2.1	1.2	0.4	-0.3	-0.4
Treaty debt ratio[3]	88.5	87.6	86.8	85.2	82.8	79.8	76.4
	£ billion						
Public sector net borrowing	89.2	69.5	43.1	24.3	6.4	-10.0	-11.6
Current budget deficit	58.3	40.8	14.7	-3.5	-22.9	-40.4	-43.7
Cyclically-adjusted net borrowing	74.9	60.8	38.3	22.0	5.8	-10.0	-11.6
Cyclically-adjusted deficit on current budget	44.0	32.2	9.8	-5.8	-23.4	-40.4	-43.7
Public sector net debt	1,486	1,532	1,576	1,603	1,619	1,618	1,627
Memo: Output gap (per cent of GDP)	*-0.8*	*-0.6*	*-0.3*	*-0.1*	*0.0*	*0.0*	*0.0*

[1]Debt at end March; GDP centred on end March.

[2]General government net borrowing on a Maastricht basis.

[3]General government gross debt on a Maastricht basis.

Table C.6: Changes to the cyclically adjusted current budget since March 2015

	Per cent of GDP					
	Outturn	Forecast				
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
March forecast	2.5	2.1	0.4	-0.8	-1.7	-1.7
July forecast	2.4	1.7	0.5	-0.3	-1.1	-1.8
Change	**-0.1**	**-0.4**	**0.1**	**0.5**	**0.6**	**-0.1**
of which:						
RDEL	0.0	0.0	0.8	1.2	1.2	0.5
Budget measures	0.0	-0.1	-0.5	-0.5	-0.7	-0.8
Other receipts	0.0	-0.4	-0.2	-0.2	-0.1	-0.2
Other spending	-0.2	0.1	0.1	0.1	0.2	0.4

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Table C.7: Changes to public sector net debt since March 2015

	Per cent of GDP						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
March forecast	80.4	80.2	79.8	77.8	74.8	71.6	
July forecast	80.8	80.3	79.1	77.2	74.7	71.5	68.5
Change	**0.4**	**0.0**	**-0.6**	**-0.6**	**-0.1**	**-0.1**	
of which:							
Change in nominal GDP[1]	0.1	0.1	-0.4	-0.4	-0.2	0.3	
Change in cash level of net debt	0.3	-0.1	-0.2	-0.1	0.1	-0.4	
	£ billion						
March forecast	1479	1533	1580	1606	1617	1627	
July forecast	1486	1532	1576	1603	1619	1618	1627
Change in cash level of net debt	**6**	**-1**	**-5**	**-3**	**1**	**-9**	
of which:							
Changes to borrowing	-1	-7	-3	8	20	17	
Asset sales	0	-8	-14	-19	-25	-31	
Gilt premia	1	4	3	1	0	0	
Asset purchase facility	0	2	2	2	2	2	
Outturns	3	3	3	3	3	3	
Other factors	3	4	4	2	1	0	

[1] *Non-seasonally-adjusted GDP centred end-March.*

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Table C.8: Changes to the OBR's forecast of public sector net borrowing

	£ billion						
	Outturn	Forecast					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
March forecast	90.2	75.3	39.4	12.8	-5.2	-7.0	
July forecast	89.2	69.5	43.1	24.3	6.4	-10.0	-11.6
Change	**-1.0**	**-5.8**	**3.7**	**11.5**	**11.6**	**-3.0**	
Changes to the receipts forecast[1]	-1.9	-5.5	-10.3	-12.6	-13.5	-10.0	
Forecast changes	-1.9	-4.9	-3.7	-4.0	-3.5	-3.1	
Effect of Government decisions	0.0	-0.6	-6.5	-8.5	-9.9	-6.9	-8.2
of which:							
Scorecard measures	0.0	-1.0	-4.0	-5.1	-6.8	-5.8	-6.5
Indirect effect of Government decisions	0.0	0.4	-2.5	-3.4	-3.1	-1.1	-1.7
Changes to current AME spending[1]	**0.6**	**2.2**	**-2.3**	**-2.0**	**-2.5**	**-3.7**	
Forecast changes	0.6	2.2	4.1	6.0	8.8	10.1	
Effect of Government decisions	0.0	0.0	-6.5	-8.1	-11.3	-13.8	-15.7
of which:							
Welfare scorecard measures	0.0	-0.3	-5.6	-6.9	-9.7	-12.5	-13.3
Other scorecard measures	0.0	0.1	0.0	0.0	-0.1	-0.3	-0.6
Indirect effect of Government decisions	0.0	0.2	-0.9	-1.2	-1.5	-1.0	-1.8
Changes to RDEL spending[2]	**0.9**	**-1.3**	**17.2**	**27.0**	**28.3**	**12.1**	**21.6**
Changes to capital spending[1]	-0.5	-1.3	-0.8	-0.9	-0.8	-1.3	
Forecast AME changes[3]	-0.1	-0.3	0.9	1.4	0.1	0.4	
Scorecard AME measures	0.0	0.0	0.0	-0.2	0.0	-0.1	-0.1
Changes to CDEL spending[2,3]	-0.5	-1.0	-1.8	-2.1	-0.8	-1.6	-1.9
	Summary of changes						
Total forecast change	-1.4	-3.0	1.3	3.4	5.4	7.4	
Total effect of Government decisions	0.4	-2.8	2.4	8.0	6.3	-10.4	-4.3
of which:							
Scorecard receipts and AME measures	0.0	-1.2	-9.6	-12.2	-16.7	-18.7	-20.5
RDEL and CDEL changes[3]	0.4	-2.3	15.4	24.8	27.5	10.5	19.8
Indirect effect of Government decisions	0.0	0.6	-3.4	-4.6	-4.6	-2.2	-3.5

[1] 2014-15 has been adjusted to remove the effect of ONS measurement differences. See supplementary tables published on our website for more information.

[2] The change in 2020-21 is relative to a baseline that assumes spending by departments would otherwise have remained constant as a share of potential GDP.

[3] CDEL and capital AME changes have been adjusted to exclude the £0.9 billion switch from CDEL to capital AME in 2015-16 as a result of the GAD Milne case, and to exclude the switch from CDEL to capital AME that reflects the reclassification of government grants to Network Rail in our forecast, which is explained in note 1 of Table 4.17.

Note: this table uses the convention that a negative figure means a reduction in PSNB. i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

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List of abbreviations

AIA	Annual Investment Allowance
AIIB	Asian Infrastructure Investment Bank
AMAP	Approved Mileage Allowance Payment
AME	Annually Managed Expenditure
APD	Air Passenger Duty
B&B	Bradford and Bingley plc
BIS	Department for Business, Innovation and Skills
BIT	Business Impact Target
BML	Brighton Main Line
BRIC	Brazil, Russia, India and China
CCL	Climate Change Levy
CCT	Company Car Tax
CEP	Cadet Expansion Programme
CFC	Controlled Foreign Companies
CGE	Computable General Equilibrium (Economic Model)
CGNCR	Central government net cash requirement
CGT	Capital gains tax
CLG	Communities and Local Government
CMA	Competition and Markets Authority
CMC	Claims Management Companies
CoACS	Co-ownership Authorised Contractual Scheme
CPI	Consumer Prices Index
CRA	Credit Reference Agencies
CRC	Carbon Reduction Commitment
CTA 2010	Corporation Tax Act 2010
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DECC	Department of Energy and Climate Change
DEL	Departmental Expenditure Limit
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DfT	Department for Transport
DMO	Debt Management Office
DWP	Department for Work and Pensions
ECB	European Central Bank
EEA	European Economic Area
EFO	Economic and fiscal outlook
EFRBS	Employer Financed Retirement Benefit Scheme
EIS	Enterprise Investment Scheme
ESA	Employment and Support Allowance
EU	European Union

FCA	Financial Conduct Authority
FCO	Foreign and Commonwealth Office
FLS	Funding for Lending Scheme
FPC	Financial Policy Committee
FSB	Federation of Small Businesses
FTSE	Financial Times Stock Exchange
FYR	First Year Rate
G7	A group of 7 major industrial nations (comprising: Canada, France, Germany, Italy, Japan, UK and US)
G20	A group of 20 finance ministers and central bank governors representing 19 countries plus the European Union
GAAR	General Anti-Abuse Rule
GBP	Great British Pound
GBSLEP	Greater Birmingham and Solihull Local Enterprise Partnership
GDP	Gross Domestic Product
GLA	Greater London Authority
GNI	Gross National Income
HGV	Heavy Goods Vehicle
HMRC	Her Majesty's Revenue & Customs
HMT	Her Majesty's Treasury
HS1	High Speed 1
HS2	High Speed 2
HS3	High Speed 3
IHT	Inheritance Tax
IMF	International Monetary Fund
ILO	International Labour Organisation
IPT	Insurance Premium Tax
ISA	Individual savings account
JSA	Job Seekers Allowance
LEP	Local Enterprise Partnership
LIC	Low Income Country
LPC	Low Pay Commission
LTEP	Long Term Economic Plan
MPC	Monetary Policy Committee
NFR	Net Financing Requirement
NICs	National Insurance contributions
NMW	National Minimum Wage
NLW	National Living Wage
NR	Network Rail
NRAM	Northern Rock Asset Management
NS&I	National Savings and Investments
NUTS	A subdivision of a country used by the EU statistical body, Eurostat
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
OFGEM	Office of Gas and Electricity Markets

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ONS	Office for National Statistics
OTS	Office of Tax Simplification
P2P	Peer to Peer
PAIF	Property Authorised Investment Fund
PF2	Private Finance 2
PFI	Private Finance Initiative
POTAS	Promoters of Tax Avoidance Schemes
PPP	Purchasing Power Parity
PPS	Purchasing Power Standard
PRA	Prudential Regulation Authority
PSCE	Public Sector Current Expenditure
PSGI	Public Sector Gross Investment
PSNB	Public Sector Net Borrowing
PSND	Public Sector Net Debt
R&D	Research and development
RBS	Royal Bank of Scotland
RDEC	Research and Development Expenditure Credit
RHDI	Real Household Disposable Income
RPI	Retail Prices Index
SDLT	Stamp Duty Land Tax
SEIS	Seed Enterprise Investment Scheme
SGP	Stability and Growth Pact
SIB	Social Impact Bond
SME	Small and medium-sized enterprise
SMI	Support for Mortgage Interest
SPT	Specialist Personal Tax
SR	Standard Rate
TEF	Teaching Excellence Framework
TfL	Transport for London
TfN	Transport for the North
TME	Total Managed Expenditure
TMI	Tax Motivated Incorporation
UC	Universal Credit
UKAR	UK Asset Resolution Ltd
UKCS	UK Continental Shelf
UKCRIC	UK Collaboratorium for Research in Infrastructure and Cities
UKTI	UK Trade and Investment
USD	United States Dollars
VAT	Value Added Tax
VCT	Venture Capital Trust
VED	Vehicle Excise Duty
WTC	Working Tax Credit
YBHA	ONS Code for Nominal GDP data

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