

Indirect taxes

Andrew Leicester

Main Budget measures

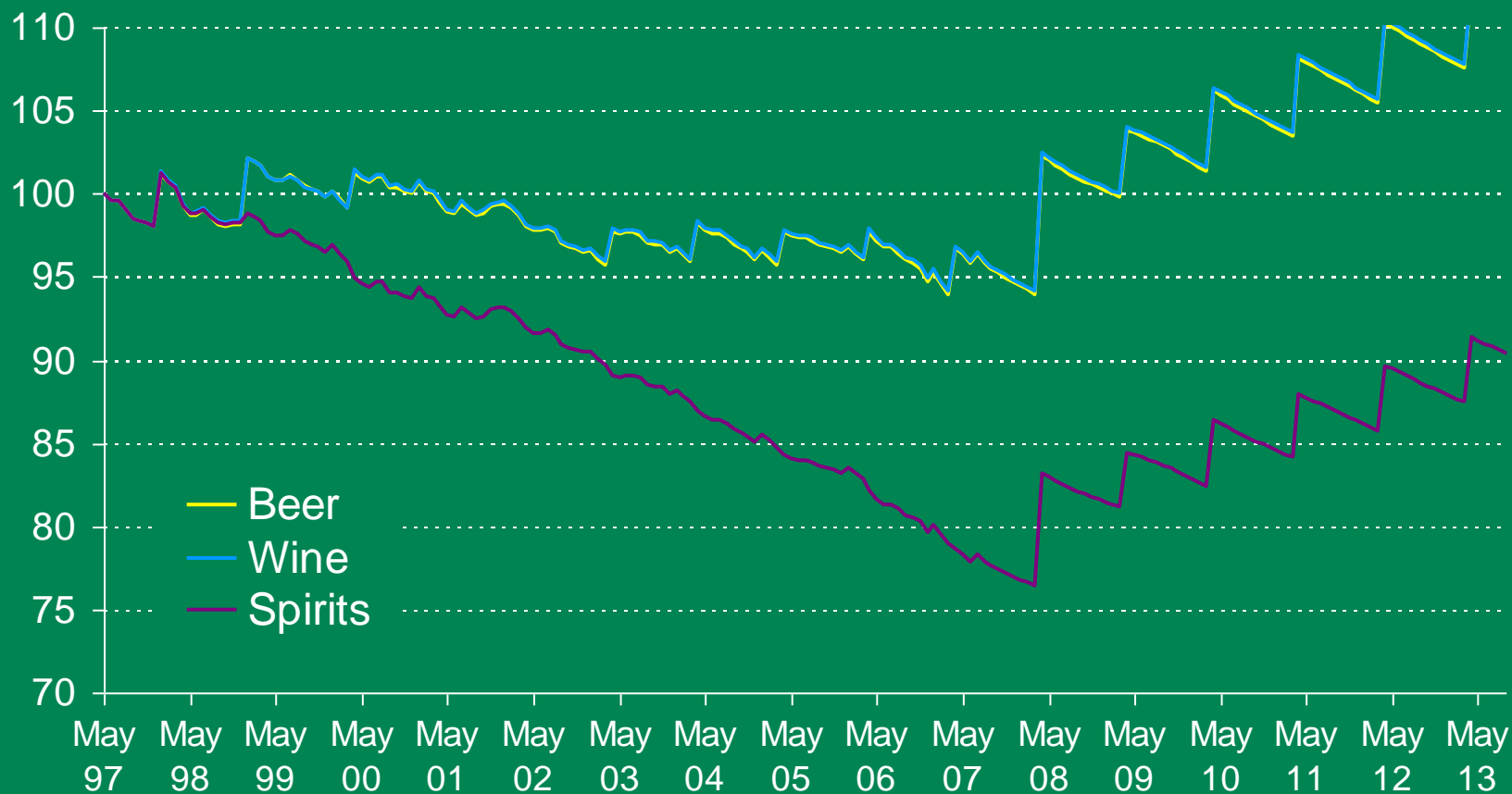
- Alcohol duties
- Fuel duties
- Vehicle excise duty
- Aviation duty
- Plastic bag tax?

Alcohol taxes

- Big increases
 - 6% above inflation immediately
 - 2% above inflation every year until 2013
 - Raises £400m in 2008-09, nearer £1bn by 2013-14
- Reverses trend since 1997
 - First real increase under Labour
 - Duty on spirits frozen since 1998

Alcohol duties after the Budget

Real terms, May 1997 = 100



Alcohol taxes

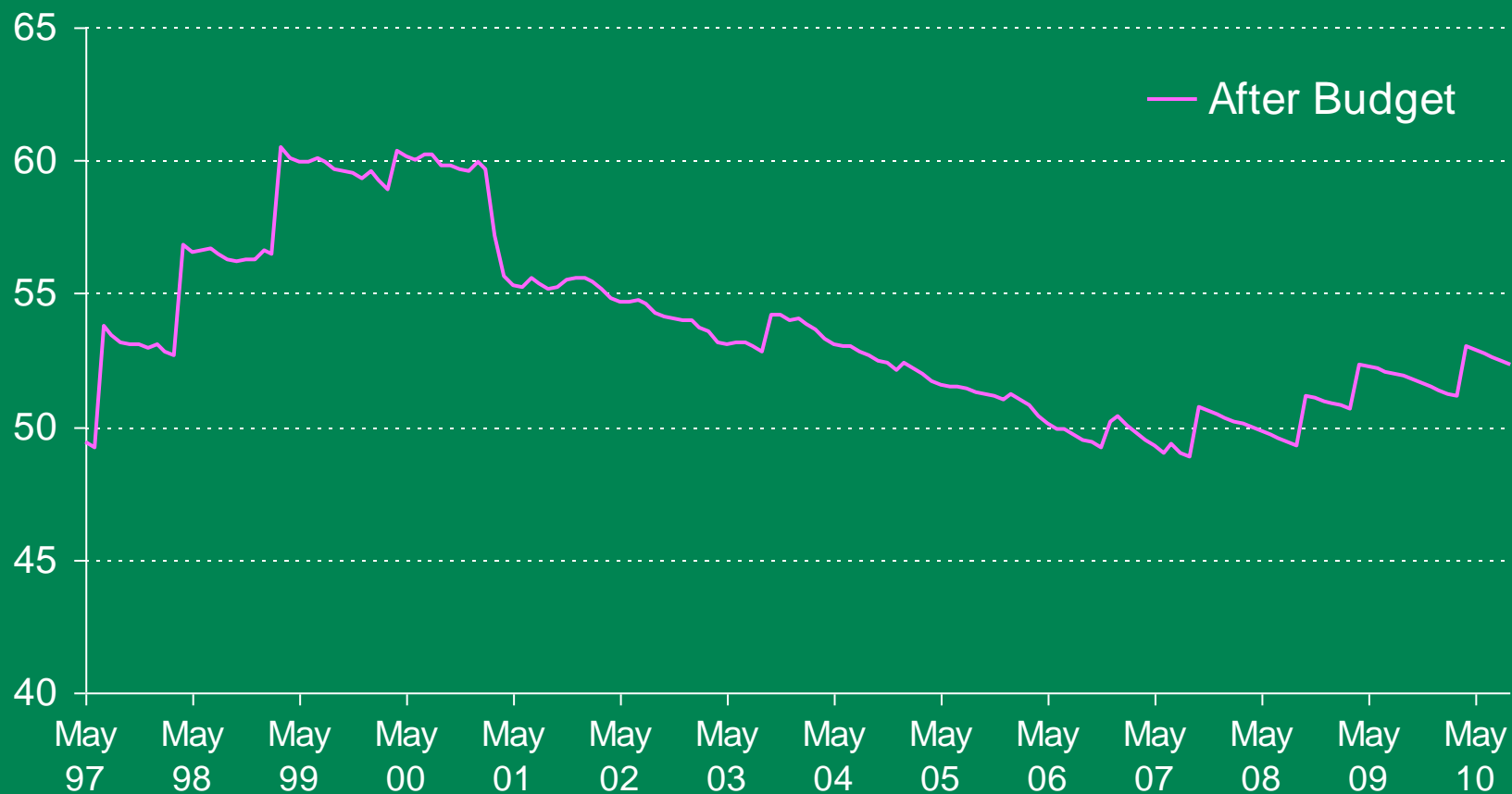
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 - Duty on spirits frozen since 1998
- Changing behaviour or raising revenue?
 - Some of each
 - Revenue comes from beer and wine: spirits duty raises little
 - Cross-border shopping erodes revenue without cutting consumption

Fuel taxes

- Planned 2p increase in main duty rates postponed until October 2008: cost £550m in 2008 – 09
- Inflation rise of 1.84p in April 2009 still planned
- Inflation plus ½p rise announced for April 2010: raises £270m in 2010 – 11

Petrol duty

Pence per litre, January 2008 prices



Fuel taxes

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- Inflation rise of 1.84p in April 2009 still planned
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- ‘Postponed’ increases have sometimes never happened
 - Will oil prices fall by October?
 - What is the value in pre-announcing?
- 20p/litre differential for biofuels to go in April 2010
 - Raises £550m in 2010 – 11
 - replaced by RTFO: 5% of fuel sales to be renewables by 2010

Vehicle excise duty

- From April 2009 increase from 7 to 13 emissions bands
 - Finer targeting
 - Rates more heavily tilted towards higher emission vehicles
- From April 2010, different rate in first year
 - Even more tilted towards higher emission vehicles
 - £950 for most polluting, £0 for least
 - Do people respond to up front taxes more strongly than equivalent annual taxes?
 - Might people hold on to more polluting vehicles for longer?
- Raises £735m in 2010 – 11

Some other changes

- Aviation Duty
 - PBR announced reform to per-plane charge from 2009
 - Now to raise 10% more in 2011 – 12: around £250m?
- Plastic Bags
 - Possible tax if insufficient voluntary progress towards charging by 2009
 - Any revenues to environmental charities
 - Irish experience suggests large change in behaviour – little revenue

A 'green' budget?

- Significant green tax rises
 - But not this year
- Unlikely to reverse long-term decline in green taxes as a share of GDP
 - Now at lowest level since 1980s
- Tax receipts not the whole story
 - ETS auctioning
 - Development of RTFO
 - 'Greening' the tax system
 - Road pricing resuscitated?