

Appendix A: Forecasting public finances

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This appendix looks at the techniques used for the Green Budget public finance forecasts. It starts by comparing the forecasts made for borrowing in 2006–07 in last year’s Green Budget and the December 2006 Pre-Budget Report with the eventual out-turn. It then goes on to provide more background information for the short-term and medium-term public finance forecasts that are set out in Chapter 5.

A.1 The accuracy of our previous forecasts

As Table A.1 shows, the January 2007 Green Budget forecasts for current receipts and current spending were both slightly higher than those published by the Treasury in the December 2006 Pre-Budget Report. The out-turn for the public finances in 2006–07 was stronger than either the 2006 PBR or the 2007 Green Budget forecast as a result of higher-than-forecast receipts and lower-than-forecast spending (both lower current spending and lower public sector net investment). The December 2006 Pre-Budget Report forecast that the current budget deficit in 2006–07 would be £7.9 billion, while the 2007 Green Budget forecast that it would be £9.2 billion. (The Treasury’s subsequent March 2007 Budget was more pessimistic still, predicting a deficit of £9.5 billion.) The actual estimated out-turn from the 2007 Pre-Budget Report was a deficit of just £4.7 billion. Lower-than-forecast investment spending meant that the out-turn for net borrowing diverged even more from the earlier forecasts, with net borrowing in 2006–07 estimated in the October 2007 Pre-Budget Report to have been £31.0 billion, compared with the December 2006 Pre-Budget Report forecast of £36.8 billion and the January 2007 Green Budget forecast of £38.1 billion.

Table A.1. A comparison of last year’s IFS Green Budget forecast and the Treasury’s December 2006 Pre-Budget Report forecast with the estimated out-turn for 2006–07 from the October 2007 Pre-Budget Report

| £ billion | HM Treasury PBR forecast, December 2006 | IFS Green Budget forecast, January 2007 | Estimate, PBR, October 2007 |
|----------------------------------|--|--|--|
| Current receipts | 517.9 | 518.5 | 519.1 |
| Current expenditure ^a | 525.7 | 527.7 | 523.8 |
| Surplus on current budget | –7.9 | –9.2 | –4.7 |
| Net investment | 28.9 | 28.9 | 26.3 |
| Public sector net borrowing | 36.8 | 38.1 | 31.0 |

^a Includes depreciation.

Sources: Out-turn figures for 2006–07 from HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, October 2007 (http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm). Forecasts from HM Treasury, *Pre-Budget Report 2006*, December 2006 (http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/report/prebud_pbr06_repindex.cfm), and table 5.2 of R. Chote, C. Emmerson, A. Leicester and D. Miles (eds), *The IFS Green Budget: January 2007*, IFS Commentary 102 (<http://www.ifs.org.uk/budgets/gb2007/index.php>).

Current receipts came in £1.2 billion stronger than forecast in the December 2006 Pre-Budget Report and £0.6 billion stronger than forecast in the January 2007 IFS Green Budget. Current spending (including depreciation) came in £1.9 billion lower than forecast in the December 2006 Pre-Budget Report and £3.9 billion lower than forecast in the January 2007 IFS Green Budget. Public sector net investment was also lower than either of the previous forecasts suggested – the out-turn for public sector net investment was £2.6 billion lower than forecast by both the December 2006 Pre-Budget Report and the January 2007 Green Budget.

However, a classification change to the accounting treatment of local authorities' Housing Revenue Accounts was made in June 2007, which has boosted both current receipts and current expenditure by £1.6 billion (and therefore has no impact on measures of borrowing or debt).¹ Adjusting for this change, receipts came in just £0.4 billion lower than the December 2006 Pre-Budget Report forecast and £1.0 billion lower than the January 2007 IFS Green Budget forecast. Both projections – at least for aggregate tax receipts – were therefore very accurate.

The spending projections were considerably less accurate. Adjusting for the same accounting change, current spending (including depreciation) came in £3.5 billion and £5.5 billion lower than the December 2006 Pre-Budget Report and the January 2007 IFS Green Budget projection respectively. The IFS error was larger due to spending growth by central government departments being very low in the last three months of 2006–07.

Table A.2. IFS Green Budget and Treasury main errors in forecasting tax receipts, 2006–07

| £ billion | Pre-Budget Report, December 2006 | IFS Green Budget, January 2007 |
|---|---|---|
| Income tax (net of tax credits) | -1.9 | -2.4 |
| National Insurance contributions | +1.2 | +1.2 |
| Value added tax | -1.2 | -0.4 |
| Corporation tax (net of tax credits) | +3.1 | +3.1 |
| Stamp duties | -0.7 | -0.4 |
| <i>Net taxes & National Insurance contributions</i> | +1.2 | +1.9 |
| Non-tax receipts ^a | -2.5 | -2.5 |
| <i>Total current receipts</i> | -1.2 | -0.6 |

^a Includes accruals adjustments on taxes, the tax credits adjustments, interest and dividends, gross operating surplus and rent; net of oil royalties and business rate payments by local authorities, the own resources contribution to the EU budget and PC corporation tax payments.

Sources: As Table A.1.

Table A.2 shows the breakdown of the main errors in the forecasts for tax receipts contained in the December 2006 Pre-Budget Report and the January 2007 IFS Green Budget. Both sets of predictions overestimated receipts of net taxes and social security contributions. Net income tax receipts were underestimated by the December 2006 Pre-Budget Report by about £2 billion and by the January 2007 IFS Green Budget by £2.4 billion. However, this was

¹ Source: Paragraph B.34, page 166 of HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, October 2007 (http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm).

offset by an overestimate of £1.2 billion in both forecasts of receipts from National Insurance contributions. The largest absolute forecast error in tax receipts was in the forecasts for corporation tax receipts: both the December 2006 Pre-Budget Report and the January 2007 IFS Green Budget overestimated corporation tax receipts by £3.1 billion. Outside of net taxes and social security contributions, there was also an apparently large absolute error in both forecasts for non-tax receipts: both the December 2006 Pre-Budget Report and the January 2007 Green Budget underestimated non-tax receipts by £2.5 billion. However, of this, £1.6 billion is explained by the reclassification of local authorities' Housing Revenue Accounts mentioned above.

A.2 Techniques used in our forecasts

For the current financial year, three different sources of information are examined before coming to a judgement for each element of government revenue. In addition to the latest Treasury forecast from the October 2007 Pre-Budget Report, we use information from the revenues implied by a current receipts method, and the IFS modelled approach.²

- 1. Information from current receipts.** The current receipts method uses the information on receipts received in the current financial year compared with those received up to the same point in the previous financial year. An estimate for the current year's receipts is then calculated using the following formula:

$$2007-08 \text{ forecast} = \frac{\text{Receipts received so far this year}}{\text{Receipts received to the same point last year}} \times 2006-07 \text{ receipts.}$$

While this is useful when forecasting revenues in the current financial year, it cannot provide projections for borrowing in future years. Also, particular caution should be used when revenues are cyclical or changes have been made that may affect the timing of payments.

- 2. The IFS modelled receipts approach.** This estimates growth in each of the taxes using forecasts for the growth in the tax base relevant to each tax, combined with an estimate of the elasticity of revenue with respect to the growth in the tax base. Information on the revenue effects of pre-announced tax changes from previous Budgets is then added in order to reach a forecast. Hence, modelled receipts can be summarised by the following formula:

$$2007-08 \text{ forecast} = (2006-07 \text{ receipts} \times \text{Tax-base change} \times \text{Elasticity}) + \text{Tax changes.}$$

This technique enables forecasts to be made for future years, given the expected structure of the tax system. It should be noted that these forecasts become considerably less accurate for later years, since forecasts for changes in tax bases, estimates of elasticities and the impact of tax changes all become less accurate.

² For a more detailed explanation of both these techniques, see C. Giles and J. Hall, 'Forecasting the PSBR outside government: the IFS perspective', *Fiscal Studies*, 1998, 19(1): 83–100.

The elasticities are largely estimated from TAXBEN, the IFS tax and benefit model. For fuel, an elasticity calculated from previous IFS research is used.³ Elasticities for beer, spirit, wine and tobacco duties are taken from the median elasticity found in a range of UK studies.⁴

A.3 Forecasts for 2007–08

The Green Budget forecast is a judgement based on the Treasury's latest forecast contained in the October 2007 Pre-Budget Report, the current receipts method and the IFS modelled approach. Each of these is presented in Table A.3. Our forecast for total receipts in 2007–08 is £2.5 billion below that which the Treasury made in PBR 2007 as a result of anticipated shortfalls in corporation tax and stamp duty receipts. There is, however, no divergence between our expectation of spending in 2007–08 and that published in the Pre-Budget Report.

HM Revenue and Customs receipts

For **income tax** (net of tax credits), we forecast £149.6 billion. This is the same as the Treasury forecast and is also roughly in line with the current receipts method, which suggests that receipts will be £149.2 billion.

Our forecast for **National Insurance contributions** matches that of the Treasury (£96.5 billion). This is between the current receipts forecast (£97.6 billion) and the IFS modelled receipts forecast (£92.2 billion).

Our forecast for **corporation tax** (net of tax credits) is £44.3 billion. This is £2.0 billion below the Treasury's forecast of £46.3 billion and reflects weak in-year growth in corporation tax revenues, which to date have been no higher in nominal terms than they were in 2006–07. Our forecast therefore reflects the assumption that over the remainder of this financial year there will continue to be no growth in nominal receipts.

Our forecast for receipts from **stamp duties** of £14.6 billion is lower than the Treasury's forecast of £15.1 billion. This reflects two factors. First, the decline in the stock market on 21 January 2007 has resulted in the FTSE All Share Index being significantly below where the Treasury assumed it would be when it made its forecast of stamp duty revenue from shares in October 2007. Consequently, we assume that this will reduce stamp duty revenues over the last three months of 2007–08 by about £150 million relative to the Treasury's forecast. Second, we assume that stagnation in the property market in the final months of this financial year will lead to no nominal growth in receipts of stamp duty land tax over this period. This reduces our forecast for stamp duty receipts by a further £350 million.

We forecast **VAT** receipts of £81.4 billion, which is the same as the Treasury's forecast and in line with the current receipts projection of £81.3 billion.

³ L. Blow and I. Crawford, *The Distributional Effects of Taxes on Private Motoring*, IFS Commentary 65, December 1997 (<http://www.ifs.org.uk/comms/comm65.pdf>).

⁴ M. Chambers, 'Consumers' demand and excise duty receipts equations for alcohol, tobacco, petrol and DERV', Government Economic Service, Working Paper 138, August 1999.

Table A.3. Forecasts for government borrowing in 2007–08

| <i>£ billion</i> | PBR Oct. 2007 | Current receipts method | IFS forecasting model | IFS forecast judgement |
|---|--------------------------|--|--------------------------------------|---------------------------------------|
| <i>HM Revenue and Customs</i> | | | | |
| Income tax (net of tax credits) | 149.6 | 154.0 ^e | 152.2 | 149.6 |
| National Insurance contributions | 96.5 | 97.6 | 92.2 | 96.5 |
| Value added tax (VAT) | 81.4 | 81.3 | 82.6 | 81.4 |
| Corporation tax (net of tax credits) | 46.3 | 44.2 | 44.3 | 44.3 |
| Petroleum revenue tax | 1.5 | 1.3 | 2.2 | 1.5 |
| Fuel duties | 24.9 | 24.8 | 23.8 | 24.9 |
| Capital gains tax | 4.8 | n/a | 4.7 | 4.8 |
| Inheritance tax | 3.9 | 4.0 | 3.8 | 3.9 |
| Stamp duties | 15.1 | 15.6 | 14.7 | 14.6 |
| Tobacco duties | 8.1 | 7.9 | 8.5 | 8.1 |
| Spirits duties | 2.3 | 2.3 | 2.5 | 2.3 |
| Wine duties | 2.6 | 2.7 | 2.6 | 2.6 |
| Beer and cider duties | 3.3 | 3.3 | 3.5 | 3.3 |
| Betting and gaming duties | 1.4 | 1.5 | 1.5 | 1.4 |
| Air passenger duty | 2.0 | 2.1 | 2.0 | 2.0 |
| Insurance premium tax | 2.4 | 2.3 | 2.5 | 2.4 |
| Landfill tax | 0.9 | 0.9 | 0.8 | 0.9 |
| Climate change levy | 0.7 | 0.7 | 0.7 | 0.7 |
| Aggregates levy | 0.3 | 0.3 | 0.3 | 0.3 |
| Customs duties and levies | 2.4 | 2.4 | 2.4 | 2.4 |
| Total HMRC | 450.4 | 449.2 | 447.8 | 447.9 |
| Vehicle excise duties | 5.5 | 5.5 | 5.6 | 5.5 |
| Business rates | 21.9 | 21.9 | 21.8 | 21.9 |
| Council tax ^a | 23.7 | 23.7 | 23.7 | 23.7 |
| Other taxes and royalties ^b | 15.3 | 15.3 | 14.8 | 15.3 |
| Net taxes and NI contributions^c | 516.8 | 515.6 | 513.7 | 514.3 |
| Other adjustments ^d | 34.4 | 34.4 | 34.4 | 34.4 |
| Current receipts | 551.2 | 550.0 | 548.1 | 548.7 |
| Current spending | 559.5 | 559.5 | 559.5 | 559.5 |
| Current balance | -8.3 | -9.5 | -11.4 | -10.8 |
| Net investment | 29.7 | 29.7 | 29.7 | 29.7 |
| Public sector net borrowing | 38.0 | 39.2 | 41.1 | 40.5 |

^a PBR figures are based on stylised assumptions rather than government forecasts, as council tax increases are determined annually by local authorities, not by the government.

^b Includes VAT refunds and money paid into the National Lottery Distribution Fund.

^c Includes VAT and the traditional 'own resources' contributions to the EU budget.

^d This line is a sum of accruals adjustments on taxes, tax credit adjustment, interest and dividends, and other receipts, less own resources contribution to EU budget and PC corporation tax payments.

^e Current receipts estimate of income tax revenues includes capital gains tax.

Sources: PBR forecasts from HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, October 2007 (http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm); this table is similar to table B8, page 168. IFS calculations.

We forecast that **fuel duties** will yield £24.9 billion, which is the same as the Treasury's projection and in line with the current receipts projection of £24.8 billion.

Other government receipts

For all other receipts, we take the Treasury's forecasts for 2007–08.

Government expenditure

We forecast that **current spending** in 2007–08 will be £559.5 billion, which is the same as the Treasury's forecast. So far this year, central government has slightly underspent relative to the forecast from PBR 2007. Growth in spending on net social benefits has been slightly ahead of what the Treasury forecast in October. However, growth in other current spending by central government (including that on the delivery of public services) has been slower on average over the year so far than was forecast in October. We assume that this slow spending growth does not persist during the final three months of the financial year and that, therefore, spending for the year as a whole will be in line with the Treasury's forecast in PBR 2007. This might be likely given that there was a considerable slowdown in current spending by central government departments in the last three months of 2006–07 which may not be repeated – for example, were spending to follow the pattern seen during 2005–06 then central government would be on course to over- rather than under-shoot the PBR forecast.

We assume that the Treasury's forecast for £29.7 billion of **public sector net investment** in 2007–08 is accurate. Despite the fact that net investment spending since the publication of the PBR has been running ahead of the level consistent with the PBR projection being met, there remains a chance that the Treasury will in fact underspend on public sector net investment, as in recent years net investment has tended to be revised down *ex post*. Either way, a deviation on the Treasury's forecast on net investment would have no impact on the golden rule.

Government borrowing

As a result of forecasting lower current receipts (which is not forecast to be offset by any current underspend), we forecast a **deficit on the current budget** of £10.8 billion for 2007–08. This is £2.5 billion more pessimistic than the £8.3 billion deficit forecast by the Treasury.

Since we forecast the same level of net investment in 2007–08 as the Treasury does, our forecast for **public sector net borrowing** (£40.5 billion) is also £2.5 billion higher than the Treasury forecast of £38.0 billion.

A.4 Medium-term forecasts

Compliance with the golden rule is judged over the economic cycle, and any assessment of the fiscal stance should take into account the performance of the economy. Table A.4 presents the macroeconomic forecasts underlying the Green Budget forecasts for the public finances in each of the three economic scenarios used.

For the Green Budget baseline forecast, the Treasury's macroeconomic forecasts are used. These assume that national income will grow by 3% in 2007–08, followed by 2% in 2008–09, 2¾% in 2009–10 and 2½% thereafter (which for the period from 2008–09 onwards is a ¼ percentage point below the Treasury's central estimate of trend growth).

Table A.4. Alternative macroeconomic assumptions underlying medium-term public finances forecasts

| | 2007– 08 | 2008– 09 | 2009– 10 | 2010– 11 | 2011– 12 | 2012– 13 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Green Budget baseline (PBR assumptions) | | | | | | |
| Gross domestic product (GDP) | 3 | 2 | 2¾ | 2½ | 2½ | 2½ |
| Real consumers' expenditure | 2.7 | 2 | 2¼ | 2¼ | 2½ | 2½ |
| Employment | ¾ | ½ | ½ | ¾ | ¾ | ¾ |
| Real wages | 0 | 1¼ | 1½ | 1¾ | 1¾ | 1¾ |
| GDP deflator | 3¼ | 2¾ | 2¾ | 2¾ | 2¾ | 2¾ |
| Alternative Green Budget scenario I (Morgan Stanley central case) | | | | | | |
| Gross domestic product (GDP) | 2¾ | 1¾ | 2¼ | 2¾ | 2¾ | 2¾ |
| Real consumers' expenditure | 2¾ | 1½ | 2 | 2¼ | 2½ | 2½ |
| Employment | ½ | ½ | 1 | 1 | 1 | 1 |
| Real wages | 0 | 1½ | 1½ | 1½ | 1½ | 1½ |
| GDP deflator | 3¼ | 2¼ | 2¼ | 2½ | 2½ | 2½ |
| Alternative Green Budget scenario II (Morgan Stanley 'pessimistic case') | | | | | | |
| Gross domestic product (GDP) | 2¾ | ½ | 1¾ | 2½ | 2½ | 2½ |
| Real consumers' expenditure | 2¾ | ¼ | 1¾ | 2¼ | 2¼ | 2¼ |
| Employment | ¼ | –¾ | ½ | ½ | 1 | 1¼ |
| Real wages | 0 | 2½ | 2 | 1¼ | 1¼ | 1¼ |
| GDP deflator | 3 | 1½ | 1¾ | 2½ | 2½ | 2½ |

Sources: Authors' calculations; Treasury forecasts from HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, October 2007 (http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm).

Under the first alternative Green Budget scenario (the Morgan Stanley central case), growth in national income is expected to be ¼ percentage point below the Treasury's forecast this year and next year, ½ percentage point below in 2009–10 and ¼ percentage point above thereafter.

The second alternative Green Budget scenario (the Morgan Stanley 'pessimistic case') assumes that the growth rate of national income is ¼ percentage point lower in 2007–08 and is also lower than the Treasury's forecast in 2008–09 and 2009–10. From 2010–11 onwards, growth in national income under the Morgan Stanley 'pessimistic case' is the same as under the Treasury's assumptions.

The Green Budget baseline scenario predominantly uses published Treasury forecasts for all macroeconomic assumptions, where these are available. The exceptions to this are that, as discussed in more detail in Chapter 5, we assume that corporation tax receipts over the medium term are weaker than the Treasury has forecast and that, in light of developments in the stock market since the Treasury made its forecasts in October, stock market performance is weaker than the Treasury had assumed.

Appendix B. Headline tax and benefit rates and thresholds

| | 2007–08 level | 2008–09 level ^a |
|---|-------------------------|----------------------------|
| Income tax | | |
| Personal allowance: under age 65 | £5,225 p.a. | £5,435 p.a. |
| aged 65–74 | £7,550 p.a. | £9,030 p.a. |
| aged 75 and over | £7,690 p.a. | £9,180 p.a. |
| Married couple's allowance, restricted to 10%: | | |
| aged 65 or over on 6 April 2000 | £6,285 p.a. | £6,535 p.a. |
| aged 75 or over | £6,365 p.a. | £6,625 p.a. |
| Starting rate | 10% | n/a ^b |
| Basic rate | 22% | 20% |
| Higher rate | 40% | 40% |
| Starting-rate limit | £2,230 p.a. | £2,320 p.a. ^b |
| Basic-rate limit | £34,600 p.a. | £36,000 p.a. |
| Tax rates on savings income | 10%, 20%, 40% | 10%, 20%, 40% |
| Tax rates on dividend income | 10%, 32.5% ^c | 10%, 32.5% ^c |
| National Insurance | | |
| Lower earnings limit (LEL) | £87 p.w. | £90 p.w. |
| Upper earnings limit (UEL) | £670 p.w. | £770 p.w. |
| Earnings threshold (employee and employer) | £100 p.w. | £105 p.w. |
| Class 1 contracted-in rate: employee – below UEL | 11% | 11% |
| – above UEL | 1% | 1% |
| employer – below UEL | 12.8% | 12.8% |
| – above UEL | 12.8% | 12.8% |
| Class 1 contracted-out rate: employee – below UEL | 9.4% | 9.4% |
| (salary-related schemes) – above UEL | 1% | 1% |
| employer – below UEL | 9.1% | 9.1% |
| – above UEL | 12.8% | 12.8% |
| Corporation tax | | |
| Rates: small companies' rate | 20% | 21% |
| standard rate | 30% | 28% |
| Capital gains tax | | |
| Annual exemption limit: individuals | £9,200 p.a. | £9,600 p.a. |
| trusts | £4,600 p.a. | £4,800 p.a. |
| Non-business assets: higher-rate taxpayers | 24%–40% | 18% |
| basic-rate taxpayers | 12%–20% | 18% |
| Business assets: higher-rate taxpayers | 10%–40% | 18% |
| basic-rate taxpayers | 5%–20% | 18% |
| Inheritance tax | | |
| Threshold | £300,000 | £312,000 |
| Rate for transfer at or near death | 40% | 40% |

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| | 2007–08 level | 2008–09 level ^a |
|--|---------------------------|----------------------------|
| Value added tax | | |
| Standard rate | 17.5% | 17.5% |
| Reduced rate | 5% | 5% |
| Registration threshold | £64,000 p.a. | £66,000 p.a. |
| Excise duties | | |
| Beer (pint at 3.9% abv) | 30p | 31p |
| Wine (75cl bottle at 12% abv) | 133p | 137p |
| Spirits (70cl bottle at 40% abv) | 548p | 562p |
| 20 cigarettes: specific duty | 218p | 224p |
| <i>ad valorem</i> (22% of retail price) | 109p | 116p |
| Ultra-low-sulphur petrol (litre) | 50p ^d | 52p |
| Ultra-low-sulphur diesel (litre) | 50p ^d | 52p |
| Air passenger duty | | |
| Destinations within the EU: economy | £10 | £10 |
| club/first class | £20 | £20 |
| Destinations outside the EU: economy | £40 | £40 |
| club/first class | £80 | £80 |
| Betting and gaming duty | | |
| Gross profits tax | 15–50% | 15–50% |
| Spread betting rate: financial bets | 3% | 3% |
| other bets | 10% | 10% |
| Insurance premium tax | | |
| Standard rate | 5% | 5% |
| Higher rate (for insurance sold accompanying certain goods and services) | 17.5% | 17.5% |
| Stamp duty | | |
| Land and buildings: | | |
| standard residential threshold | £125,000 p.a. | £125,000 p.a. |
| residential threshold in disadvantaged areas | £150,000 p.a. | £150,000 p.a. |
| non-residential threshold | £150,000 p.a. | £150,000 p.a. |
| rate: up to threshold | 0% | 0% |
| threshold–£250,000 | 1% | 1% |
| £250,000–£500,000 | 3% | 3% |
| above £500,000 | 4% | 4% |
| Stocks and shares: rate | 0.5% | 0.5% |
| Vehicle excise duty | | |
| Graduated system (for new cars from 1 March 2001) | £0–£300 p.a. ^e | £0–£400 p.a. ^e |
| Standard rate | £180 p.a. | £185 p.a. |
| Small-car rate (engines up to 1,549cc) | £115 p.a. | £120 p.a. |
| Heavy goods vehicles (varies according to vehicle type and weight) | £165–£1,850 p.a. | £170–£1,900 p.a. |
| Landfill tax | | |
| Standard rate | £24 per tonne | £32 per tonne |
| Lower rate (inactive waste only) | £2 per tonne | £2.50 per tonne |

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| | 2007–08 level | 2008–09 level ^a |
|--|---------------|----------------------------|
| Climate change levy | | |
| Electricity | 0.441p/kWh | 0.458p/kWh |
| Natural gas | 0.154p/kWh | 0.160p/kWh |
| Coal | 1.201p/kg | 1.248p/kg |
| Liquefied petroleum gas | 0.985p/kg | 1.023p/kg |
| Business rates | | |
| Rate applicable for high-value properties ^f in: England | 44.4% | 46.2% |
| Scotland | 44.4% | 46.2% |
| Wales | 44.8% | 44.6% |
| Council tax | | |
| Average rate band D council tax in England and Wales | £1,302 p.a. | Councils to set |
| Income support / income-based jobseeker's allowance | | |
| Single (aged 25 or over) | £59.15 p.w. | £60.50 p.w. |
| Couple (both aged 18 or over) | £92.80 p.w. | £94.95 p.w. |
| Basic state pension | | |
| Single | £87.30 p.w. | £90.70 p.w. |
| Couple | £139.60 p.w. | £145.05 p.w. |
| Winter fuel payment: for those aged 60–79 | £200 | £200 |
| for those aged 80 or over | £300 | £300 |
| Pension credit | | |
| Guarantee credit for those aged 60 or over: single | £119.05 p.w. | £124.05 p.w. |
| couple | £181.70 p.w. | £189.35 p.w. |
| Savings credit for those aged 65 or over: | | |
| threshold – single | £87.30 p.w. | £91.20 p.w. |
| threshold – couple | £139.60 p.w. | £145.80 p.w. |
| maximum – single | £19.05 p.w. | £19.71 p.w. |
| maximum – couple | £25.26 p.w. | £26.13 p.w. |
| withdrawal rate | 40% | 40% |
| Child benefit | | |
| First child | £18.10 p.w. | £18.80 p.w. |
| Other children | £12.10 p.w. | £12.55 p.w. |
| Child tax credit | | |
| Family element (doubled for first year of a child's life) | £545 p.a. | £545 p.a. |
| Child element | £1,845 p.a. | £2,085 p.a. |
| Disabled child element | £2,440 p.a. | £2,540 p.a. |
| Working tax credit | | |
| Basic element | £1,730 p.a. | £1,800 p.a. |
| Couples and lone-parent element | £1,700 p.a. | £1,770 p.a. |
| 30-hour element | £705 p.a. | £735 p.a. |
| Disabled worker element | £2,310 p.a. | £2,405 p.a. |
| Childcare element: | | |
| maximum eligible cost for one child | £175.00 p.w. | £175.00 p.w. |
| maximum eligible cost for two or more children | £300.00 p.w. | £300.00 p.w. |
| proportion of eligible costs covered | 80% | 80% |
| | Continues | Continues |

