TAX EXPENDITURES LAB

TAX EXPENDITURES COUNTRY REPORT

The United Kingdom

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List of abbreviations

CGT	Capital Gains Tax
DWP	Department for Work and Pensions
EU	European Union
GBP	British Pound Sterling
GDP	Gross Domestic Product
GTETI	Global Tax Expenditures Transparency Index
HMRC	His Majesty's Revenue and Customs
HM Treasury	His Majesty's Treasury
IFS	Institute for Fiscal Studies
IHT	Inheritance Tax
IMF	International Monetary Fund
ISA	Individual Savings Account
MP	Member of Parliament in the House of Commons
NAO	National Audit Office
NHS	National Health Service
NI	National Insurance
NICs	National Insurance Contributions
OBR	Office for Budgetary Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OTS	Office of Tax Simplification
PAC	Public Accounts Committee, House of Commons
TARC	Tax Administration Research Centre, University of Exeter Business School
TE	Tax Expenditure
UK	United Kingdom
USD	United States Dollars
VAT	Value Added Tax

Executive summary

Responsibility for tax expenditures: In the United Kingdom (UK) government ministers introduce and amend tax reliefs including tax expenditures. They are a joint responsibility: HM Treasury takes strategic oversight while HM Revenue and Customs (HMRC) administers them, including their monitoring, maintenance and evaluation.

Their number and scale: Tax expenditures in the United Kingdom result in a considerable release of fiscal resources by central government, little known and off-budget. The official estimated cost comes to 7.6 per cent of GDP in 2023-24, equivalent to a quarter of total tax revenue collected, although that cost is only based on the generally larger 107 of the 344 tax expenditures identified where costs were estimated for that year. Since 2020 significantly fuller listings of tax expenditures with many more estimated costs and explanations have been released annually.

Benchmarking: This term is not used in UK official documents. Tax expenditures are generally described as 'non-structural' tax reliefs as opposed to 'structural' ones. They make up about one-third of all acknowledged tax reliefs. Little is provided on the criteria for distinguishing the two, which do not appear to have greatly changed in many years. The classification is still not sufficiently clearly formulated, especially as it is acknowledged that many tax reliefs contain both structural and non-structural elements.

Transparency: Much more needs to be done to improve the UK's transparency score with greater openness to public discussion and response given its current ranking of 39th out of 105 assessed countries, scoring 51.3 out of 100, in the Global Tax Expenditures Transparency Index (GTETI) (Redonda et al. 2024).

Complex landscape: The plans to provide a fuller accounting of tax expenditures have been markedly ambitious in relation to previous progress. While there has been substantial improvement, their actual implementation has been at best variable. On several issues fuller accounts have been provided in the latest reports. Further analysis needs to be carried out and published assessing the impact of tax expenditures and their interaction with other government interventions instead of keeping them within their own silo.

Evaluation challenges: It is not clear how much systematic evaluation is being carried out within the government. Recent reviews based on published guidelines are improving the extent and quality of fiscal data. The release of the evaluation plans is encouraging, as it signals that further work is likely in this area. The continuing contrast with the regular and published scrutiny of public spending is still emphasised by external analysts.

Distributional and behavioural impact: Regular reporting on the behavioural and distributional impacts of tax expenditures by HM Treasury or HMRC is limited. Official consideration of behavioural responses is generally confined to tackling issues of exploitation and abuse of tax expenditures, and there is less on examining and reporting on their value for money or the broader social, economic, environmental and political impact of reliefs and any options for change. Who gets what and how with what effect on the distribution of resources, individually and across society, is mostly neglected.

Fiscal Sustainability: There appears little government recognition of the fact that tax expenditures effectively have automatic priority because of their pre-distribution before the regular budgetary process allocating public spending. In consequence the government has not given sufficient attention to the workings of tax expenditures and the results of changes in uptake and costs in them. The effects of their interactions with public spending measures and their impacts on the overall economy have also been neglected.

Maintaining momentum for greater openness: How much the momentum for providing greater accountability and openness will be maintained amid continuing staffing cuts, resource constraints and competing policy priorities is unclear. Long-term resistance to opening up the area may not have disappeared. Progress may well depend on how much extra-governmental pressure is maintained by, for example, NAO, with its series of valuable scrutinising reports, and by parliamentary select committees, thinktanks and other groups and individuals. Meanwhile many bodies and groups that benefit from existing tax expenditures are active in defending them and opposing any reduction, especially behind the scenes.

Policy recommendations: There needs to be fuller and open recognition by HM Treasury and HMRC of tax expenditures as policy interventions that merit wider scrutiny and discussion just as other policy measures. Their conjunction with these policies also deserves closer examination.

The strong case for a regular tax expenditure budget is strengthened by the present lack of specific budgetary restraint on tax expenditures. This has resulted in limited control of costs and awareness of other effects, although the increased public accounting annually may now be leading to greater official awareness and closer management.

Such democratic accountability would help to increase knowledge and understanding among a wider and larger audience outside government. That could enable a clearer view of tax expenditures as instruments of policy and encourage a broader debate on their impacts and options for change.

The United Kingdom at a glance (2023-24)

Population	GDP	GDP/capita
67.6 (in million)	**£ 2553.3** $ 3166 (in billion)	**£ 41** $ 50.8 (in thousands)

40.1%
(of GDP)
Public sector current receipts

44.5%
(of GDP)
Total government spending

98.3%
(of GDP)
Public sector net debt

TAX STRUCTURE

Total UK revenue consists of direct and indirect taxes, national, regional and local, and mandatory National Insurance (social security) contributions. The main direct taxes are income tax and National Insurance (NI) contributions. Corporation taxes and a range of capital taxes are also levied. Indirect taxes include value added tax (VAT), excise duties, vehicle taxes and energy taxes. Read more about the total UK tax structure in Appendix 1.

HMRC revenue from taxes and NI contributions, 2023-24

Tax type	Billion £	Billion $	% Total
Income tax	275.7	342.7	33.3%
National Insurance contributions	179.2	222.7	21.6%
Capital taxes	36.8	45.7	4.4%
Corporation tax	85.6	106.4	10.3%
VAT	162.4	201.9	20.3%
Other	88.2	109.6	10.6%
Total taxes and contributions	**828.9**	**1 030.3**	**100%**

Source: HMRC (2024c), IFS (2025), Keep, M. (2024) and OBR (2024). World Bank (2025) for 2023, the exchange rate is USD ($) 1.24 to one GBP (£).

Tax expenditures key figures (2023-24)

Annual
reporting since
1978

344
Reported provisions

£ 207
$ 257
Total revenue forgone*
(in billion)

7.6%
Total TEs as % of GDP

25%
Total TEs as % total revenue

Source**:** HMRC (2024c) and OBR (2024). World Bank (2025) for 2023, the exchange rate is USD 1.24 to one GBP.
*Total revenue forgone of the 107 tax expenditures with costs estimated for that year, 2023-2024.

Since 2020 HMRC has published a considerably fuller annual statistical account of tax expenditures with much increased information about items and their objectives, especially most of the larger ones. More evidence of their operation and their distributive and behavioural impact is emerging but is still generally very limited.

The latest account released in December 2024 provides the basis for this report. Of some 1,190 tax reliefs the government recognises only 344 (29 per cent) as tax expenditures, classifying them as 'non-structural' tax reliefs.

Costs have been estimated for over three-quarters (268) of these 344 tax expenditures. However, the published total cost of £207 billion is only based on 107, 31 per cent of all tax expenditures identified. These were the ones estimated for the then current tax year of 2023-2024. This is equivalent to 25 per cent of the annual tax revenue collected (NAO 2024) and to around 22 per cent of public spending. The GDP percentage is 7.6 per cent. While many items are estimated to cost very little, the five largest accounts for two-thirds of that total.

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Key governance and institutional features

In the UK government ministers introduce and amend tax reliefs including tax expenditures, generally identifying these as 'non-structural' tax reliefs, whereas HM Treasury and HMRC have joint responsibility of tax reliefs under the "policy partnership". It was only in 2020 that HM Treasury and HMRC began to provide much fuller accounts of tax expenditures. These accounts will be discussed in detail below but first it is necessary to introduce the main bodies and players and give a brief account of how this advance came about.

On the government side 'ministers introduce and amend tax reliefs through "fiscal events" (predominantly legislative changes made once or twice a year announced at the Spring Budget and Autumn Statement and voted on by Parliament)' (NAO 2024, p 5, para 2). The dominant governmental actor in charge of these two events is the Chancellor of the Exchequer, effectively the second politician in most UK governments. The Chancellor is, at least nominally, in charge of the powerful HM Treasury, the economic and finance ministry which has long exercised considerable control over both taxing and spending the nation's resources.

Under the "policy partnership", HM Treasury is responsible for strategic oversight of the tax system, including providing evidence-based advice to ministers covering its overall effectiveness. HMRC is responsible for administering the system, including the monitoring and evaluation of specific tax reliefs' (NAO 2024, p 5, para 2). The significant increase in transparency with much greater release of data from 2020 is analysed in detail below.

Select committees in the House of Commons and the House of Lords have played an increasingly important part in obtaining and examining evidence on tax reliefs including tax expenditures and their workings. The Commons committees are cross-party bodies with a minimum of eleven Members of Parliament (MPs) usually scrutinising the spending, policies and administration of individual government departments. They have become more independent of the party in power in recent years as the chair became elected from all MPs although the majority of members are invariably from the party in government. The government is expected to reply to their reports within two months. The Public Accounts Committee (PAC) is one of the very few committees with a cross-departmental role and has given particular attention to tax expenditures in recent years. The Treasury Committee has also scrutinised the operation of tax reliefs (e.g. Treasury Committee 2023).

The National Audit Office (NAO), which describes itself as 'the UK's independent public spending watchdog', has issued detailed reports on tax expenditures since 2014. These have provided the basis for enquiries by the PAC (Hodge 2016, pp 31-34).

The statutory Office for Budgetary Responsibility (OBR) 'was created in 2010 to provide independent and authoritative analysis of the UK's public finances … one of a growing number of official independent fiscal watchdogs around the world' (OBR n.d.).

Usually behind the scenes tax reliefs are vigorously defended by those groups that benefit from them with support from relevant business associations. Evidence of these activities rarely emerge into public and often only much later. The media can play an important part on particular tax reliefs, even starting public and political debates on issues such as pension tax reliefs or challenging proposals to change. Personal finance journalists provide guidance and much encouragement to take full advantage of available reliefs. A growing number of tax-interested bodies, examining, lobbying and campaigning with a great variety of technical skills and political commitments, are also paying more attention to the still relatively hidden world of tax reliefs of all kinds.

Emergence of official evidence on tax expenditures

The first official list estimating the cost of UK tax reliefs was not released until 1978 by the Inland Revenue (then the government's tax agency). Sustained critiques by two journalists from the early1970s, then a parliamentary select committee in the mid-1970s and work under way on *Tax expenditures in the United Kingdom* by Willis and Hardwick (1978) probably provided the final impetus for the first annual releases, especially as Willis had been deputy chairman of the Inland Revenue (Pond 1980).

From 1979 lists were released for a single year only until a second year was added in 1992. It was not until 2011, when the newly created Office of Tax Simplification (OTS) published a list of over 1,000 tax reliefs with recommendations for the abolition of some 40, that political and public attention grew (OTS 2011). The NAO critically examined the management of reliefs by HMRC (which had replaced the Inland Revenue in 2004) and the oversight by HM Treasury (NAO 2014a; NAO 2014b). Independent and answerable to Parliament, not government, NAO noted that HM Treasury did not regard tax reliefs as within the NAO's remit although this was disputed by NAO's legal advice.

Parliamentary select committees, especially the Public Accounts and Treasury ones, pursued the issue of tax reliefs, including tax expenditures, building on NAO's work (in particular, NAO 2020, 2021 and 2024: see Hodge 2016). Further momentum was provided by the OBR's discussion of tax reliefs, especially tax expenditures that it described as 'policy-motivated' reliefs (OBR 2019).

Tax expenditures transparency

The current limited extent of data and its quality, level of transparency, ease of access, and explanations of methodology is reflected in the UK's score in the Global Tax Expenditures Transparency Index (GTETI) (Redonda et al. 2024).

51.3/100

The overall GTETI score

Tax expenditures transparency

The quality and scope of reporting on tax expenditures in the United Kingdom is reflected in the GTETI, where it ranks **39 out of 105** assessed countries.

13.0/20

Dimension 1 – **Public Availability**
This dimension captures the extent to which TE reports are made available to the public. It considers the regularity of reporting, the timeliness of data, the online accessibility, and the reader-friendliness of the document.

6.0/20

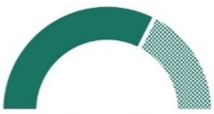
Dimension 2 – **Institutional Framework**
This dimension evaluates how well the institutional framework promotes transparency and accountability in TE policymaking. It assesses the legal basis for TE reporting, the requirement to submit reports to parliament, the assignment of the responsibility to report to a specific public authority, and the consideration of TEs in the country's budget cycle and medium-term strategy.

11.3/20

Dimension 3 – **Methodology and Scope**
This dimension analyses the extent to which TE reports cover all TEs available at the national level, the level of specification of the reference benchmark system against which TEs are assessed, and the method(s) used to calculate revenue forgone.

8.0/20

Dimension 4 – **Descriptive TE Data**
This dimension assesses the information available in the report to identify and explain the nature of different TEs. It evaluates the extent to which the report specifies the policy objective(s) of TEs. Also, it analyses the availability of TE data regarding the type of TE (tax credit, deduction etc.), beneficiaries, time frames, and the legal basis under which TEs are granted.



13.0/20

Dimension 5 – **TE Assessments**
This dimension analyses the extent to which revenue forgone estimates are provided in the report, including levels of (dis)aggregation and the time span of revenue forgone estimates (previous years and forecasts). Further, it assesses the availability of information on TE evaluations, considering both the existence of ex-ante and ex-post evaluation frameworks, and the scope of publicly available evaluations.

Source: Redonda et al. 2024

Benchmark

Tax expenditures are defined as deviations from the benchmark tax system. This includes deviations from the standard tax base, deviations from the standard tax rate, or changes in the tax period benefitting the taxpayer. Nevertheless, the definition of what should be attributed to the benchmark tax system and what should be marked as a tax expenditure is not always unambiguous. Most countries use the concept of benchmarks to identify tax expenditures, but the UK government has been critical of the term and its use ever since 1978 when 'benchmarking' was firmly rejected by HM Treasury (HM Treasury 1978). It is not clear how far the UK government's position has changed since. HMRC has long distinguished between 'structural' and 'non-structural tax reliefs' and still prefers to use the second term instead of tax expenditures. It is these, less than one-third of all tax reliefs, that HMRC now focuses on 'to better align with HMRC's central management of tax reliefs' (HMRC 2024a, para 2).

The HMRC explanation of the classification between structural and non-structural is quoted in full below. The wording has changed little for some time, but it has been dropped from the main annual report on tax expenditures discussed below and is only in a supplementary report (HMRC 2024c). This is a pity as the distinction is not widely known, let alone understood.

'Many tax reliefs are integral parts of the tax system. These reliefs have various purposes, such as to define the scope of the tax or calculate income or profits correctly. These are classified as "structural tax reliefs".

'Other reliefs are actively designed to advance economic or social objectives. These are classified as "non-structural" tax reliefs.

'The split between "structural tax reliefs" and "non-structural tax reliefs" is not always straightforward, and these categorisations remain under continuous review. Some reliefs have both structural and non-structural purposes. For example, capital allowances can provide relief for commercial depreciation as well as an of accelerated relief. While the former can be regarded as a structural part of the tax system, the latter is non-structural as it provides additional benefit to business.

'Where reliefs combine both structural and non-structural elements, they have been allocated to the category deemed most dominant' (HMRC 2024c, section 2).

There appears to be no fuller official account of the division that would enable the outsider to understand how the official classification and judgements on dominance are made. A decade ago the NAO commissioned the Tax Administration Research Centre (TARC) at the University of Exeter Business School to carry out a detailed examination of the definition, measurement and evaluation of tax reliefs and tax expenditures with an appendix on 'International definitions' as part of their work on tax reliefs in 2013-14 (TARC 2014; NAO 2014a). No HMRC or Treasury reference to it could be found. Since then, most individuals and agencies appear to accept the HMRC divide without comment. OBR uses the term 'policy-motivated tax reliefs' to describe tax expenditures (OBR 2019, para 4.68).

Revenue forgone

Tax expenditures in the United Kingdom represent a significant allocation of fiscal resources, operating with limited public awareness. Estimating the cost of these tax expenditures is crucial for ensuring fiscal transparency, enabling policymakers and the public to assess their effectiveness, equity, and alignment with broader government priorities. 'HMRC continuously aims to improve its own, and public understanding of the impacts of tax reliefs'. Since 2019 it 'has prioritised additional analytical resources to undertake a multi-year project to provide more public information … prioritising non-structural reliefs', the UK official term for tax expenditures (HMRC 2024b, section 3).

'Stage 1 attempts to estimate costs for each non-structural tax relief based on the currently available data. As many reliefs are designed to minimise admin burdens, customers do not always have to inform HMRC that they are using them' (HMRC 2024d, section 2.1). The latest, *Non-structural tax relief statistics (December 2024)*, was published on 5 December 2024 (HMRC 2024d). To save space and for easier reading, the word 'section' by itself used below with no fuller source refers to sections in this updated HMRC report.

This is the fifth and fullest of the new expanded series published by the UK government since October 2020 (the second was released in December 2021; the third in January 2023 and the fourth in December 2023). Links are provided in the documents each time to two accompanying sets of statistical tables which provide more detailed material on individual tax expenditures, one with estimated costs and the other where costs are unavailable. Shorter reports on the much more numerous structural tax reliefs have also been released with accompanying tables in the same way. Many fewer of these structural reliefs have had their costs estimated and the list with unavailable costings only provides a subset (e.g. HMRC 2023g).

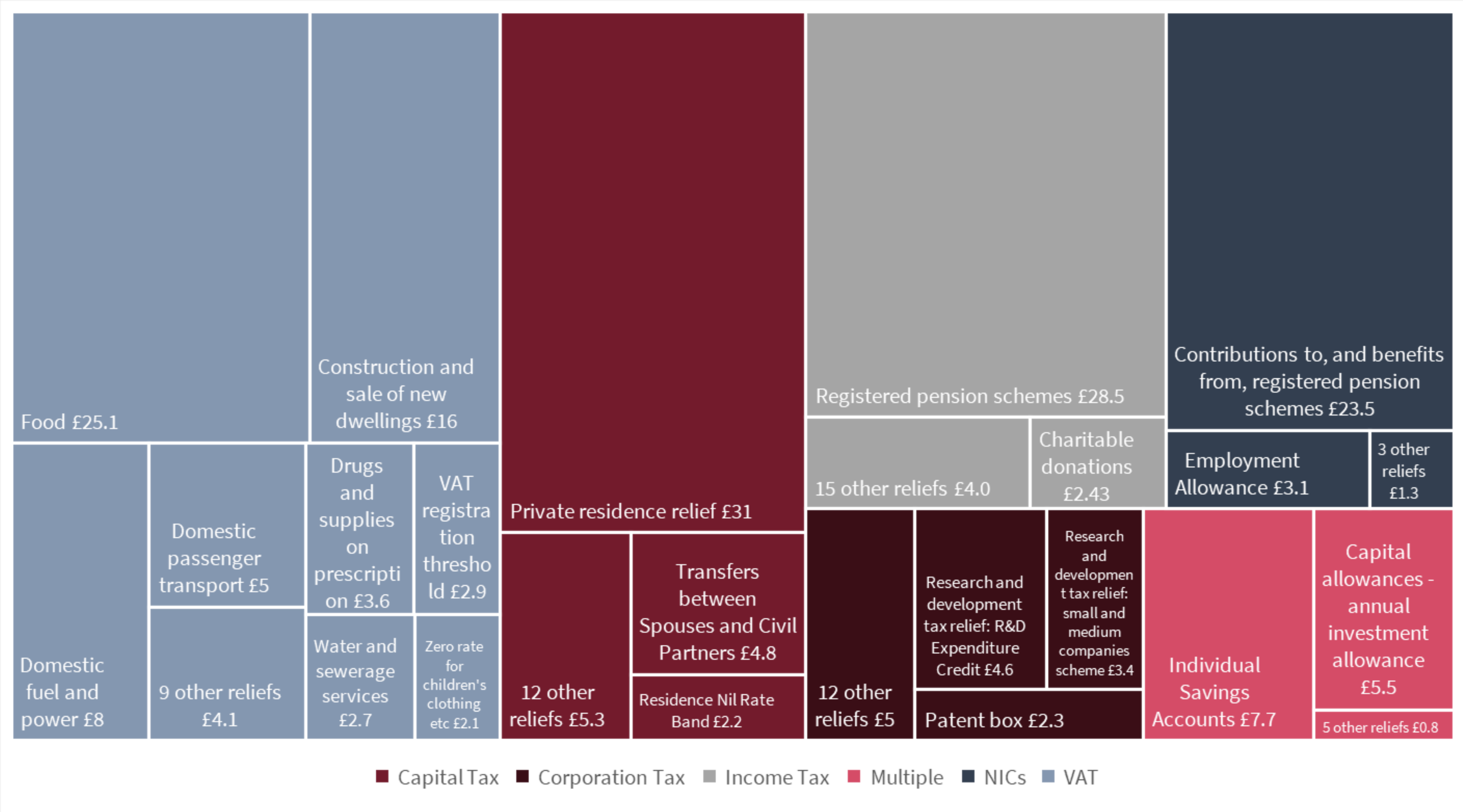
The pace of the project has been picking up with more additional and updated reports. In stage 2 'HMRC will consider further options available to cost' those reliefs 'where it would need to collect or purchase additional data' to estimate a cost (section 2.1).

In the 2024 report HMRC and HM-Treasury have designated 344 tax reliefs as non-structural, and so tax expenditures (HMRC 2024d). It does not appear that HMRC has ever provided a total number for tax reliefs, but NAO gave the figure as 1,190 for October 2019 (NAO 2020, p 5). So far HMRC has published costings for 268 reliefs, 113 multi-year and 155 single year, a considerable advance on the 111 cost estimates in the first, 2020, report. Another 28 have their costs withheld due to the risk of identification. Forty-eight of the 344 have not been costed: thirty-seven due to lack of available data and 11 not yet investigated by HMRC (HMRC 2024d, Table 1).

However, it should be noted that the total estimated costings of £207 billion presented by HMRC is based on 107 of the 344, only 31 per cent of those identified officially. This total is calculated from the 107 whose costs have been estimated for the year of the report, 2023-2024. Including estimated costs for some earlier years would probably raise the total by at least £19 billion (NAO 2024, 1.6 and see below).

The largest tax expenditures are discussed in section 3.1 of the main report. The basic picture for 2023-24 is illustrated in Figure 1. A similar figure was included in previous reports and has been recreated here but was omitted in the latest, 2024, report.

Figure 1. The largest value tax reliefs within each main tax head in 2023 to 2024 (in £ billion)



Source: This elaboration has been added based on data from HMRC (2024d). Note: NIC stands for National Insurance Contributions.

Figure 1 takes account of the 76 'largest value tax reliefs' in 2023-24 under five tax heads and one Multiple category where tax reliefs are granted for multiple tax heads – VAT: 17 reliefs, Income Tax: 17, Capital taxes: 15, Corporation Tax: 15, National Insurance Contributions (NICs): 5 and Multiple: 7. The 20 largest of these tax expenditures are shown in boxes representing their individual estimated costs by size. The grouping 'Capital taxes'[1] includes Inheritance Tax, Capital Gains Tax (CGT) and Stamp Duty Land Tax.

For 2023-2024 VAT has the highest cost of tax expenditures (£69 billion) followed by Capital Taxes and Income Tax (£43 billion each) although both have more items costed (Section 3.1).[2] The cost of the first five largest tax expenditures in Table 1 have increased by 14.5 per cent since 2019-2020 to £124.1 billion. They make up 59.5% of the cost of the 107 tax expenditures, the next five add another £31 billion, bringing the cost of the ten largest up to 74.9% of that total.

Table 1. Revenue forgone for the 10 largest of the 107 TEs totalled by HMRC, 2023-24

TE provision	Billion £	% Total revenue forgone	% of GDP
CGT Private residence relief	31.0	15.0	1.1
IT Registered pension schemes	28.5	13.8	1.0
VAT Food, zero-rated	25.1	12.1	0.9
NICs to, and benefits from, registered pension schemes	23.5	11.3	0.9
VAT Construction and sale of new building	16.0	7.7	0.6
VAT Domestic fuel and power	8.0	3.9	0.3
IT&CGT Individual Savings Accounts (ISAs)	7.7	3.7	0.3
IT& Corporation Tax Capital allowances – annual investment allowance	5.5	2.7	0.2
VAT Domestic passenger transport	5.0	2.4	0.2
IHT Transfers between Spouses and Civil Partners	4.8	2.3	0.2
Total	**155.1**	**74.9**	**5.7**

Source: HMRC (2024d)

[1] In previous HMRC figures, the 'Capital taxes' grouping included Stamp Duty Reserve Tax and Stamp Duty. However, these taxes have been excluded from the recreated figure for 2023-24 due to the absence of estimates for their non-structural provisions. HMRC's latest report (2024d) provides single-year estimates for only one of these provisions (covering 2019-20), while the remaining six provisions are stated to have negligible cost estimates.

[2] This corresponds to the number stated in the 2024 report and is thus based on the HMRC's calculation. It diverges slightly from the total for Income taxes stated in Figure 1. The difference is explained by the fact that the HMRC has included the Individual Savings Accounts (ISA) relief, which falls under both income tax (IT) and capital gains tax (CGT), in their calculation of the total income tax reliefs (total income tax reliefs adds up to £42.65 billion , rounded up to £43 billion.

1 - Capital Gains Tax (CGT): Private residence relief - £31 billion of tax expenditure, up by £2.7 billion since 2019-20, reflecting in large part the change in house prices. The main or only residence is exempt from CGT provided the owner has occupied the whole property with the result that this capital asset with any increase in its value tax free is regarded differently from other assets.

2 - Income Tax (IT): Registered pension schemes - £28.5 billion of tax expenditure, up by £5.8 billion since 2019-20 (net of IT paid on pensions actually in payment). Personal and any employer contributions to most non-state pension schemes up to certain limits are exempt from IT together with any gains on their investments: employees are not taxed on the contributions from their employers unlike pay and benefits-in-kind. Receipt of these pensions are subject to IT but with a generous lump-sum exemption.

3 - Value-Added Tax (VAT) Food is zero-rated - £25.1 billion of tax expenditure, up by £5.1 billion since 2019-20. 'The objective is to reduce the cost for most food and drink which is meant for human consumption' including cold food for takeaway. Zero-rating of food is unusual: Ireland is the only EU country to do so. There have been vigorous disputes over time as to whether certain small items warrant it – for example, are Jaffa cake biscuits cakes and so not taxed as basic food or biscuits and taxed as a luxury?

4 - National Insurance Contributions (NICs) to, and benefits from, registered pension schemes - £23.5 billion of tax expenditure, up by £2.1 billion since 2019-20. Contributions by both employees and employers to the schemes are free of NICs. The two pension-related tax expenditures in income tax (item 2 above) and NICs both encourage private pension saving and total £52 billion but they are very rarely discussed together by HMRC. For many years the cost of NIC exemptions was not made public. It has gradually increased and last year it exceeded the net cost of the IT tax expenditure. After cuts to NIC rates, it has now fallen back. It has been little mentioned despite the long discussion of it in the generally influential Mirrlees report (2011, chapter 14). In contrast the IT tax expenditure has probably received more public coverage in recent years than any other tax expenditure, but only after a long period with few changes and little discussion. The increasing cost was publicised and criticised by various independent commentators and politicians and political groups mainly and not only on the left (eg Johnson 2018). The pensions industry and employers' associations have long been its powerful protectors.

5 – VAT: Construction and sale of new building (and refunds to DIY [do-it-yourself] builders) - £16 billion of tax expenditure as in 2019-20 for building of new residential properties is zero-rated. VAT is not charged by builders on sales and they can also reclaim costs on materials and subcontractor fees. So far it is very little discussed despite its size and the significance for the government's climate policies not mentioned in this release. It supports the building industry and its suppliers in constructing and selling new buildings but not in maintaining, repairing and renovating existing ones. The many benefits from supporting the latter activities include the immediate one of saving considerable embodied emissions released at once if an old building is demolished.

6 – VAT: Domestic fuel and power tax expenditure - £8 billion, up by £3.1 billion since 2019-20. A lower rate of VAT, currently 5 per cent, reduces costs on energy bills for individuals including if they work from home. The increase reflected a sharp rise in energy costs in 2022-23: these are rising again after falling to an extent.

7 – Income Tax & Capital Gains Tax (CGT): Individual Savings Accounts (ISAs) tax expenditure - £7.7 billion, up by £3.8 billion since 2019-20. Both Income Tax and CGT expenditures encourage individuals to save over time with the Lifetime ISA described as 'also a government bonus' encouraging those 'under 40 to buy their first home or save for later life'. No income tax is paid on dividends, interest and bonuses to ISA investments nor CGT on capital gains on their disposal. The cost is expected to continue increasing over time as more wealth is built within the ISAs, partly as a result of more generous fiscal arrangements.

8 – Income Tax & Corporation Tax: Capital allowances – annual investment allowances - £5.5 billion, up by £1.3 billion since 2019-20. Relief of 100% is provided up to an annual limit of £1 million. It aims to reduce firms' administrative burdens, particularly medium and small companies, 'when calculating their capital allowances entitlement'. It also provides an investment incentive.

9 – VAT: Domestic passenger transport tax expenditure - £5 billion, down by £200 million since 2019-20. VAT zero rating encourages the use of public transport services such as bus, train, ship and on the UK portion of scheduled flights. The fall in costs reflects the post-Covid-19 reduction in transport use still not fully recovered.

10 – Inheritance Tax (IHT) Transfers between Spouses and Civil Partners - £4.6 billion, up by £2.25 billion since 2019-20. As a result the transfer of any asset to a spouse/civil partner is exempt from inheritance tax. The objective is to recognise the unique legal position of marriage and civil partnership. This exemption remains the largest applied to assets (HMRC 2024e, Table 12). During 2021–2022 21,800 estates claimed the exemption, shielding £15.5 billion in qualifying property from taxation (HMRC 2024e).

HMRC has also carried out single-year estimates of the costs of another 155 tax expenditures since its commitment to undertake more detailed work in 2019 (section 3.3 with estimates unchanged since the May 2024 update of last year's release). Their cost is not included in the overall figure of £207 billion, as already mentioned. 'Around half of these cost estimates are negligible.' That is under £3 million (an amount that is large enough to be cut when cuts are said to be needed in public spending). However, seven are listed as costing over £500 million, the standard cut-off used for the 36 'most significant' individual tax expenditures in this report's analysis, but they are omitted from that list. Four have been estimated to cost £1 billion or more. The largest, 'Employer provision for death or retirement benefit', was estimated to cost as much as £7.8 billion in 2020-21: it is surprising that estimates have not been made more regularly. 'Kerosene used in heating fuel' was costed at £2.4 billion in 2017-18; 'Compensation awards for personal injury' at £1.3 billion in 2019-20; and 'Vehicles and other supplies to disabled people' at £1 billion in 2016-17. NAO estimated that these and other single-year costed items might add another £19 billion to the total cost, bringing the equivalent to revenue forgone on tax expenditures up to 27 per cent of tax revenue in 2022-23 without allowing for inflation (NAO 2024, 1.6).

The report's detailed analysis of the 38 'most significant' individual tax expenditures in 2023-2024

Each of the 38 'most significant' individual tax expenditures, all 'worth more than £500 million', are examined in section 5, working alphabetically through the tax heads and the 38 individual taxes within them (a helpful list in Table 6 gives hyperlink access to each item in this report). Tax expenditures costing less and those for which no costing is or can be made available are listed in the online files linked to the main report.

The basic account of each of these 38 tax expenditures begins with a description of the tax and its objective: one or both of these may be very brief. Some accounts have become fuller with clearer detail in recent reports.

The estimated cost of that relief by tax year from 2019-2020 up to the 2024-2025 forecast is then shown in cash terms and as a share of nominal GDP. The table also includes the number of claimants where that is made available. It is accompanied by a figure showing the financial data over the six years and is followed by a discussion of any changes over that period including any fiscal adjustments at annual budgets or any other time.

The next subsection is usually 'Distributional analysis' which can vary considerably in the amount and range of information with some reference to other sources including tables. Analyses may be by gender, age, area or industry, but not often by more than one. On many occasions the reader is simply referred to the 2021 report (HMRC 2021b). The reference may be to another government source leaving the reader to carry out the analysis.

Both indicate that analysing the distributional impact of tax expenditures in contrast to public expenditures is not given high priority by the government.

Subsections on 'Evaluative summary' and 'Forecast information' are included, if available. Many simply say 'Original cost estimates predate HMRC's official publication of costs of reliefs' and provide no discussion of expected changes from the base year of 2023-2024 that might normally be expected in a forecast. For some items there are also notes on 'External data sources'.

These and the remaining recognised tax expenditures are listed with some additional notes in two online files attached to the main report, one listing those with estimated costs and the other those without any costing, generally with a brief explanation.

The estimates of UK revenue forgone on tax expenditures

HMRC's *Quality and methodology information report (December 2024)* (HMRC 2024c), released with the main report, includes advice on how to interpret the estimates on revenue forgone, discusses their quality, indicating the level of uncertainty for single-year estimates, and provides the sources and reasons why tax expenditures have not been costed. The majority of estimates are based on administrative data from taxpayer returns but not all reliefs are required to be reported in these returns. External sources are used where available. VAT estimates are largely based on consumer-trend and business data from the Office for National Statistics.

The published costs are 'estimates of the amount of relief which is claimed and subsequently granted each tax year. They do not represent the gain to the Exchequer should a relief be abolished and do not explicitly model behavioural responses and wider economic impacts which could result from changes to the reliefs, nor do they consider interactions with other reliefs' (HMRC 2024b, section 1).

There has been little external discussion of the reliability of these HMRC estimates. The House of Commons Library analysis describes them as 'broad estimates as the loss of revenue from a tax relief cannot directly be observed and so the estimates are often based on simplified assumptions. They are not reliable estimates of the additional tax that would be raised if a tax relief were removed' (Keep 2024, p 30; also quotes OBR 2019, para 4.64 at greater length). It should be noted that much the same point about the knock-on effects of abolition may be applied to changes to public spending. The cancellation of one benefit or service may well lead to claims on other benefits or services, although this seems rarely acknowledged in tax expenditure discussions.

Some exclusions from tax expenditures

The UK classifies less than a third of tax reliefs as tax expenditures, apparently a far smaller proportion than in most rich countries. Within a comparative project some structural reliefs that appear more comparable to tax expenditures deserve to be mentioned. They include some social security benefits which are tax free. HMRC estimates costs for nine of these with the following comments: 'Broadly speaking, the social security benefits payable to supplement an individual's income are not subject to tax. For example, disability living allowance, housing benefit, income-related employment and support allowance, pensioners' Christmas bonus' (HMRC 2023f, 'Description' note in linked file on 'Structural reliefs, Income tax' in line with individual benefits …The equivalent files released in December 2024 have not updated any estimates). The estimates of four of the nine costed reliefs are given as negligible while the others totalled £2.515 billion in 2022-2023, £2 billion going on the Disability Living Allowance alone. However, there are many other social security benefits that are taxed even though they too can supplement income, such as National Insurance benefits including the contributory pension.

In addition the tax relief cost for child benefit was for many years reported at around £1 billion. The estimate was withdrawn because, apparently, of uncertainty about the calculation. Shortly after that the previously universal child benefit was reduced for those with an income over £50,000 a year and denied to those with an income over £60,000 (now £60,000 and £80,000). No estimated cost has been released of this relief still going to the great majority of those claiming all or most of this benefit. After some years the item has re-appeared in the tax relief lists but now as a structural relief with the cost unavailable. Tax advisers and personal finance columnists regularly provide taxpayers with advice on how to take advantage of other tax reliefs in order to bring the defined 'appropriate income' for child benefit below its ceiling, resulting in revenue losses on that and any extra other reliefs claimed as well as the increased public spending.

Similarly, education has a £5 billion structural relief, not a tax expenditure, described simply as 'Exemption from VAT for education by eligible bodies'. It is in fact a tax relief for private educational provision that the Labour government has since removed. Again, there is no HMRC administrative data. Using other data 'the estimated cost reflects the net effect of the VAT exemption, compared to applying the standard rate of VAT. This includes (i) the VAT not charged on supplies of education where the VAT would not be recoverable by the purchaser, less (ii) the irrecoverable input tax that would be recoverable without the exemption' (Boden 2023).

VAT is also not imposed on most betting and gaming and lottery duties at an estimated cost of £2.2 billion in 2022-23. Concern has been increasing about the rising personal, social and economic costs of betting addiction and some charities are campaigning to have this structural relief removed.

Box 1: Devolved and other national taxes

Tax expenditures at local level, such as those for council taxes and business (non-domestic) rates, are not included in the HMRC lists discussed above. There are also national taxes listed in the National Accounts which are neither accounted for nor collected by HMRC including vehicle excise duties and some environmental and energy profits levies (OBR 2024, Table A5). They may have reliefs including some recognised as tax expenditures but these and their estimated costs do not appear to be available.

HMRC provides no details of tax reliefs levied at council (local authority) level that are managed within the devolved administrations of England, Scotland, Wales and Northern Ireland (on Scotland, Eiser 2019). Some of these devolved reliefs appear to be substantial tax expenditures which may exceed £9 billion in total estimated costs. Research has been carried out on several of them. Given increases in fiscal devolution in recent decades, their impact deserves to be taken into account in assessing the ways that tax expenditures affect the UK's quality of life and its common wealth, and the distribution of resources within it.

Council tax is a local tax on residential property set and administered by local authorities but within controls imposed by devolved governments (called rates in Northern Ireland). It is reduced by 25 per cent for single occupiers and discounts exist for people with disabilities and other categories. The amount is determined by the property value band based on the price it would have sold for in the open market as long ago as in 1991 in England and Scotland and 2003 in Wales. Scotland has introduced an extra band to reduce the regressive nature of the tax. Owners of second homes and those empty for long periods may have to pay different percentages of the applicable rate which can vary by area.

Business rates, levied by local councils, are charged on most non-domestic properties at a rate set by the devolved governments. They are based on the property's rateable value, an estimate of its open market rental value on 1 April 2021 and usually equal to 51.2 standard and 49.2 small business multiplier of their annual rent (different in Wales, Scotland and Northern Ireland). There is much small business relief and some social measures, for example, support commercial services in sparsely populated areas.

Sources for devolved taxes:

In **England** business rate relief statistics are compiled centrally by the Department for Levelling up, Housing and Communities (now Ministry for Housing, Communities and Local Government), published at: https://www.gov.uk/government

In **Scotland** business rate relief statistics are compiled and published by the Scottish Local Government and Communities Directorate and published at: https://www.gov.scot

In **Wales** business rate relief statistics are compiled by the Welsh Government and published at: https://statswales.gov.wales

In **Northern Ireland** small business rates reliefs are at: https://www.nibusinessinfo.co.uk

Evaluation

The UK has made progress in evaluating tax expenditures through an HMRC and HM Treasury plan to improve transparency and evidence. However, criticisms remain about the extent of evaluation overall as well as the lack of detailed analyses on the distributive and behavioural impacts of tax reliefs, particularly inequalities favouring higher-income taxpayers. Value-for-money assessments are largely absent. External critiques call for treating tax expenditures as public spending to ensure better scrutiny and accountability. While select committees advocate greater oversight, the government has rejected these proposals, citing existing mechanisms, though evidence of their adequacy is limited.

From 2020 'HMRC and HM Treasury have taken steps to improve the administration and monitoring of reliefs by introducing a joint review framework which sets out the work teams are expected to carry out throughout the lifecycle of the relief. This includes setting objectives, risk assessment, monitoring of compliance, and evaluation plans. This is a significant improvement' (NAO 2024, para 1.13).

The implementation of this policy design approach, specifically related to tax expenditures, has been moving forward although somewhat patchily. The extra statistical evidence now being regularly released is valuable and an important step forward. At present some areas are better covered than others, as the discussion above indicates, but this has been improving.

However, the annual tax expenditure reports are not intended to examine 'wider economic impacts which could result from changes to the reliefs, nor do they consider interactions with other reliefs' (HMRC 2024a, section 2). How much wider impacts are being examined elsewhere is not clear, but they still seem very limited.

In its review of reliefs with environmental impact NAO noted that HMRC did not have a list of such reliefs despite this issue being a major governmental concern. 'HMRC has not attempted to identify other tax reliefs which could impact on government's environmental goals, as it has focused on managing reliefs to deliver their stated purpose' and not impacts related to government policies (NAO 2021, summary 16). Focus appeared to be confined to revenue raised with less attention to wider impact.

Three years later in reviewing tax measures to increase economic growth, NAO concluded: 'HM Treasury and HMRC need to build on the improvements they have made so far in administering tax reliefs and make a step-change in how they assess whether tax reliefs achieve their economic objectives, are not too costly, and are not exploited to avoid or evade tax' (NAO 2024, p 14, para 23).

Apart from grouping by types of tax HMRC and HM Treasury do not appear to use any other regular categories or at least do not make them available. 'In 2019 HMRC classified the [non-structural] reliefs into those that reduce the tax burden on particular groups or sectors (40%), and those designed to encourage a particular behaviour (40%), or to serve a social purpose (20%)' (NAO 2024, p 16). However, it is not clear how these categories are being used. HMRC regards the grouping as internal and provisional and only offered some examples, not more detailed guidance on grouping in response to a specific request.

So far, the interaction between tax expenditures does not appear to be openly examined by either HM Treasury or HMRC, let alone more co-ordinated planning with other policies. Two of the most expensive tax expenditures – over £28 billion in income tax reliefs and £25 billion in NIC exemptions – are both encouraging the build-up of non-state pensions, but no analysis of their combined effect has been released by either department. There have been many consultations and changes to pension related tax expenditures, but the author has found no such official consideration of the NIC exemption while its cost has grown considerably. A potentially valuable exercise would be to examine the overall effects through both routes for the individual worker, the company, the pensions industry, and the wider economy and society. Another area which merits work bringing together the use of different tax expenditures relates to wealth as indicated by the NAO report, *Collecting the right tax from wealthy individuals* (2025, Summary, paras 9 and 10).

Even HMRC's own distinction between tax expenditures and other tax reliefs recognises a policy intent in the former. Yet the interaction of tax expenditures with government policy in general and with other specific government measures is not openly discussed by either HM Treasury or HMRC. To give just one example, £2 billion was allocated to improve access to occupational health services in the 2023 budget. The two fiscal departments opened a public consultation to explore 'the case for using the tax system to do so' (HMRC and HM Treasury 2023b). The initial invitation included a useful outline of the problem in a broad context and an encouraging discussion of existing tax incentives although it gave no indication of their current cost, which employers were making use of them and any wider impact of this.

At the same time a totally separate consultation was opened by the Department for Work and Pensions and the Department of Health and Social Care with the same objective (DWP 2023). Both consultations said they 'should be read together' but no questions invited respondents to consider a mix of policies and practice combining fiscal and other measures. External responses were to be sent separately into the two groups. Replies to the second consultation resulted in a quick government response with decisions on action to be taken within those two departments (DWP 2023) but the first, the tax incentives one, has still had no response some two years later. A cost-efficient and effective co-ordinated response across government is made more difficult.

There are many other policy areas where tax expenditures are only one element of intervention. Promoting greater productivity through training is one high-priority area which successive governments have tried to achieve and tax expenditures are available to help employers and self-employed workers to develop their skills. An independent report on the variety of support provided by government had to make its own estimates of relevant tax expenditure costs because it could not obtain any estimate from HMRC (Clayton and Evans 2021).

Individual evaluations

For specific evaluations a tax relief evaluation plan (HMRC 2021b, annex A reprinted in 2023f), was developed jointly with HM Treasury in response to Public Accounts Committee recommendations (PAC 2020). The aim is to 'deliver proportionate and systematic evaluations, transparency in our evaluation decision-making and build a stronger evidence base' (HMRC 2021a).

Evaluation of tax expenditures is now being carried out with a specific budget. Despite considerable savings from past evaluations, the budget was 'reduced by more than a quarter in 2023-24' (NAO 2024, para 2.29). A list of planned evaluations was updated in April 2023 (HMRC 2023c).

Brief individual descriptions of HMRC research reports, working papers etc with access to them are listed on GOV.UK (2024, tax reliefs not separated out). The contribution of research to improving transparency and enabling a fuller understanding of the impact of tax expenditures outside HMRC is well demonstrated by one external qualitative and quantitative study. It found that only 41 per cent of adults thought government topped up private pension contributions with any tax reliefs and 26 per cent believed there was no help at all. Even among those who did know, basic-rate taxpayers estimated a 6 per cent increase to their contribution when it was actually 25 per cent and higher or additional rate taxpayers 15 per cent, far below the actual figure of 67 per cent or higher (HMRC Annex 2022a; see also Wilson 2013 on rural fuel duty relief).

The need for a more open analysis of the broader impact

It is not clear that the Exchequer departments have adequately tackled two main and long-term criticisms of external users particularly well expressed by the Public Accounts Committee. First, 'HMRC and HM Treasury are insufficiently curious about the impact of some key tax reliefs on different groups'. Second, they 'do not publish sufficient information on the value for money of tax reliefs to enable Parliament to hold government to account' (PAC 2020, p 5, Conclusions 2 and 3). In consequence official discussion of tax expenditures continues to fall short of the fuller and more policy-relevant analyses of public expenditure made available to allow and even encourage scrutiny of that spending. Doing this to tax expenditures could stimulate greater attention to them 'in the form of unrealized government revenues' (Brixi et al. 2004, p 227).

Distributive and behavioural impact - The very limited amount of distributive and behavioural analyses of tax expenditures by the UK government has long been one of the most common themes in external critiques (Pond 1980, p 56; Sinfield 2023, p 53). Who gets what, to what benefit and with what impact is little examined. The only annual table published by HMRC on incidence shows that 53 per cent of UK taxpayers in 2021-22 claimed tax reliefs in addition to the personal allowance. No breakdown by gender, age, area or any other dimension is given although deductions for pensions are indicated separately from the rest (HMRC 2024b, Table 3.8).

In discussions with select committees, civil servants acknowledge that taxpayers with higher incomes are in a stronger position to benefit from reliefs but they do not provide specific data. The inequality appears to be treated more as a fact of life rather than something that might be altered or modified. In contrast to staff in some public spending departments, tax officials appear generally reluctant to even mention options for change, let alone discuss them.

Value-for-money - The government does not appear to accept the idea of undertaking value-for-money assessments of tax expenditures. 'It is also important to note that tax and spend are qualitatively different. In a spending context, value is concerned with allocating public resources from a pre-determined budget. Tax reliefs on the other hand represent a reduction in the overall tax take. Tax changes do not involve alternative uses of a fixed budget, since they act dynamically on the economy as a whole' (in Government response, Treasury Committee 2023b).

It is hard to see how value for money can be assessed without taking a broader view. How far this is being done within HM Treasury is not clear. But the omission is evident in the activities of both departments more generally. HMRC staff appear reluctant to comment on this and other broader issues when questioned by select committees or in correspondence, often stressing that HM Treasury is concerned with policy but HMRC with tax administration and compliance. HM Treasury staff in turn may indicate that policy issues are political ones and therefore should be put to Ministers.

Joint accounting - The case for considering tax spending and public spending together has been repeated in many external reports and analyses. As long ago as 1976 the House of Commons Expenditure Committee stated that 'it becomes difficult to form a coherent political discussion when … the two halves of the argument are in different places' (Expenditure Committee 1976, quoted in Pond 1980, p 61). Despite concessions to some select committee recommendations there has been no change on this important issue. In July 2023 the House of Commons Treasury Committee concluded that 'the disparity between scrutiny of tax reliefs and that of equivalent direct public expenditure is stark'. It proposed that tax expenditures should be classed as public expenditure and treated in the same way as public spending with resulting greater transparency and regular scrutiny. 'This would be intended to promote increased Ministerial accountability and subject such reliefs to levels of Treasury oversight and spending control characteristic of departmental spending' (Treasury Committee 2023a, p 10, paras 25, 27 and 28, note).

The government rejected the proposal as inappropriate in its reply: 'Unlike many spending programmes, tax reliefs (both new and existing) are already subject to considerable Parliamentary scrutiny and the opportunity for external representation through the annual nature of the Finance Bill and its progress through Parliament' (Government response in Treasury Committee 2023b). No examples of this greater opportunity for scrutiny of tax as opposed to spending programmes are given.

Political economy and reform

'Tax reliefs remain an important policy tool for the government to achieve its economic and social objectives' (NAO 2024, p 13). In recent years in the UK there have been significant positive developments in the attention given by HMRC and HM Treasury to providing substantially more data, describing tax reliefs and evaluating their operation, giving priority to tax expenditures.

It has taken a long time to reach even this level of transparency and accountability on tax expenditures. Why some reliefs are recognised as tax expenditures (non-structural tax reliefs in HMRC terminology), but a much greater number of tax reliefs are structural is often not clear. More needs to be done to improve the UK's transparency score with greater openness to public discussion and response (Redonda et al. 2024, the UK ranking 39th and scoring 51.3 out of 100).

At present it is unclear how much momentum will be maintained. The actual implementation of the plans, markedly ambitious in relation to previous progress, has been at best variable: 'there is still some way to go' (NAO 2024, p 13, para 21). More analysis needs to be carried out assessing the impact of tax expenditures and their interaction with other government interventions of all types instead of keeping them within their own silo.

Reductions in staffing and resources with ministerial priority given to what are seen as more urgent needs may well impede developments, but it is unclear how far long-term resistance to opening up the area has been overcome. It may depend on how much pressure is maintained by, for example, NAO, with its series of valuable scrutinising reports. Parliamentary select committees are becoming more accustomed to examining tax expenditures. Thinktanks, such as the Centre for Policy Studies, the Institute for Fiscal Studies and the Resolution Foundation, specialist lobbies, political parties and some individual MPs, academics and journalists are picking up issues more regularly. Meanwhile many groups that benefit from existing reliefs are active, generally behind the scenes, in defending them and opposing any change that would modify or reduce them.

At present there is no specific budgetary restraint on tax expenditures. Some costs have increased uncontrolled as NAO and other reviews have made evident. There is a strong case for a tax expenditure budget, provided in the United States since 1974 and in some other countries. Forty-seven years ago, a detailed study by a former Deputy Chairman of the Inland Revenue (the then tax authority) as senior author and funded by the Institute of Fiscal Studies set out a tax expenditure budget. Its final paragraph ended with: 'It is important that all [tax expenditures] ought to be taken as seriously as direct government expenditure. For that to be done effectively their cost must be known. The moral is that the United Kingdom ought to have a tax expenditure budget' (Willis and Hardwick 1978).

Such democratic accounting would require extra resources, but it would help to increase the knowledge and understanding of tax expenditures among a wider and larger audience both inside and outside government. This could enable a clearer view of them as instruments of policy and encourage a wider debate on their impacts and the options for change.

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Appendix 1: The main tax heads in the UK

Direct taxes

Income tax – most income is subject to this tax with a personal allowance of £12,570, usually adjusted annually but frozen since April 2022 until April 2028. This is phased out on taxable incomes over £100,000. In England, Wales and Northern Ireland the basic rate of 20 per cent applies to income above the personal allowance up to £50,270. A higher rate of 40 per cent applies to income up to £125,140. Above that the additional rate is 45 per cent. In 2023-24 35 per cent of adults were below the income tax threshold, 52 per cent were in the basic band, 11 per cent also paid the higher rate and 2 per cent the additional rate. In Scotland the rates are slightly higher and the thresholds lower with one more band. With the bands frozen till 2028, more will be paying income tax and at higher rates.

National Insurance – weekly contributions of 8 per cent are levied as soon as employees' pay exceeds £242 a week: after £967 a week the rate drops to 2 per cent. This enables qualification for certain social security benefits including the state retirement pension. Self-employed pay 6 per cent on annual profits between £12,570 and £50,270 and 2 per cent above that. The rate employees pay above the first threshold was cut from 12 per cent to 10 per cent in January 2024 and to 8 per cent from April 2024, and for the self-employed from 9 to 6 per cent from April 2024. From April 2025 employers contribute 15 per cent on employees' pay, expenses and benefits above £95.1 per week without an upper limit. Employers may have special reliefs, reductions or exemptions from NICs in designated freeports or investment zones. Rules also vary for certain groups including company directors, landlords and share fishermen. If still employed, employees and self-employed stop paying NICs at the state retirement age, but employers continue to pay.

Corporation tax is paid on profits (basically revenue minus costs) made by companies operating in the UK. The main rate of 25 per cent applies to profits over £250,000 with a 19 per cent rate for companies with profits below £50,000 and marginal relief in between.

Capital taxes

Capital Gains Tax – a tax paid by an individual or trust on the gain in value since purchase when disposing of an asset. The threshold was brought down from £12,300 to £6,000 in April 2023 and to £3,000 in April 2024. The rate varies from 10 or 18 per cent up to 20, 24 and 28 per cent depending on individual income and the items. Gains on the disposal of a person's only or main residence, their car and certain shares and other items are exempt.

Inheritance Tax – paid on estates (property, money and possessions) over £325,000 in value of someone who has died. There is no tax if left to spouse, civil partner, charity or community sports club. A standard rate of 40 per cent is paid on amounts over the threshold which is higher if property is left to family. Beneficiaries do not normally pay tax unless gifts are over the threshold and have been made within the last seven years. Business property relief protects businesses from being sold or broken up on the owner's death.

Stamp Duties – may have to be paid on purchase of houses, flats and land and buildings over a certain price. Stamp Duty Land Tax in England and Northern Ireland; Land and Buildings Transaction Tax in Scotland; Land Transaction Tax in Wales. Stamp Duty Reserve Tax is paid on electronic transactions in shares.

Indirect taxes

VAT – the main consumption tax of 20 per cent is added to most products and services sold by VAT-registered businesses. Some items including most food and children's clothing are zero-rated and others are subject to reduced rates.

Excise duties are levied on certain goods considered harmful to public health or the environment including alcohol, tobacco and gasoline (petrol or diesel). The amount payable depends on the weight or volume.

Other indirect taxes include customs duties on goods to and from abroad.

(For a fuller account, Lymer and Oats 2024).