

24 March 2015

## Supplementary forecast release: Landfill tax

We have identified an error in the UK-wide tax base forecast underpinning our March 2015 UK landfill tax forecast relating to how new DEFRA projections for waste in England were incorporated into the UK-wide forecast. Issues with the conversion from a cash forecast to an accruals forecast have also been identified. Landfill tax is one of the four taxes for which we produce devolved tax forecasts for Scotland and Wales. Landfill tax accounted for 0.2 per cent of UK-wide current receipts in 2014-15, but a larger proportion of the four devolved taxes we forecast for Scotland (2.1 per cent) and Wales (2.3 per cent). Given this greater weight in the devolved taxes forecast, this release provides a revised UK forecast in order to provide revised projections for the Scottish and Welsh shares of landfill tax.

### Revised UK landfill tax forecast

Table 1 sets out a corrected UK forecast and the differences relative to the forecasts published in our December 2014 and March 2015 *Economic and fiscal outlooks*. The revised forecast is around £70 million a year on average higher from 2015-16 onwards than our published March 2015 forecast. The largest effect is in 2016-17 at almost £160 million. This still represents a significant downward revision relative to our December 2014 forecast, with receipts around £100 million a year lower on average from 2014-15.

Table 1: Revised UK landfill tax

	£ million						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
March 2015 (revised)	1179	1135	1070	1003	984	1016	1092
March 2015	1179	1138	1100	846	912	943	1014
December 2014	1178	1226	1152	1077	1082	1134	1206

The downward revision since December reflects lower-than-expected receipts in 2014-15 and a lower projection for the proportion of local authority waste sent to landfill. This is based on updated DEFRA projections that suggest a steeper fall in landfill waste in the near term. This more than offsets the effect from the uprating of tax rates in line with RPI inflation, leading to year-on-year falls in receipts up to 2017-18. Towards the end of the five-year forecast, DEFRA projections assume a flatter trend in waste sent to landfill. Coupled with RPI-driven rises in duty rates, this leads to a rise in receipts in the final two years of the forecast period.

Since this revision to the landfill tax forecast is small relative to overall UK current receipts, we are not restating our UK fiscal forecast. If we had incorporated this updated forecast into our published March 2015 *EFO* forecast, public sector net borrowing would have been £0.2 billion lower in 2016-17 and £0.1 billion lower thereafter. To one decimal point, there would have been no change to our forecast for public sector net debt as a share of GDP.

## Revised Scottish landfill tax forecast

Landfill tax will be fully devolved to the Scottish Government in April 2015. The Scottish Government has announced that landfill tax rates will be set in line with those in the rest of the UK in 2015-16. We have generated the forecast for the Scottish landfill tax by taking a constant share of the UK landfill tax (9.1 per cent). Applying this share to the revised UK forecast has increased our Scottish landfill tax forecast by £6 million a year on average between 2015-16 and 2019-20 relative to our published March 2015 forecast. That remains £7 million a year lower on average than our December forecast.

Table 2: Revised Scottish landfill tax

	£ million						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
March 2015 (revised)	107	103	97	91	90	92	99
March 2015	107	104	100	77	83	86	92
December 2014	105	109	103	96	97	101	108

## Revised Welsh landfill tax forecast

Landfill tax will be fully devolved from April 2018. We have taken a constant share of the UK landfill tax forecast (4.4 per cent). Applying this share to the revised UK forecast has increased our Welsh landfill tax forecast by £3 million a year on average between 2015-16 and 2019-20 relative to our published March 2015 forecast. That remains £5 million a year lower on average than our December forecast.

Table 3: Revised Welsh landfill tax

	£ million						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
March 2015 (revised)	52	50	47	44	43	45	48
March 2015	52	50	49	37	40	42	45
December 2014	52	54	51	48	48	50	53