

The cost of extending VAT

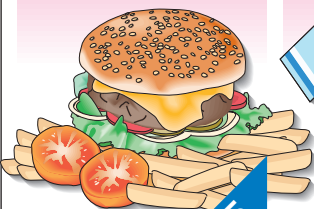
One option facing the Chancellor in his bid to raise additional income for the Treasury is to introduce VAT on items currently zero-rated. Financial experts predict the tax may be imposed at a lower rate of 5 per cent rather than the standard rate of 17.5 per cent

Treasury calculations of increased revenue by adding VAT to zero-rated items

Food

5% VAT £2 billion

17.5% VAT £7 billion



Weekly cost
per household
(17.5% VAT)

£5.75

Childrens' clothes

5% VAT £200 million

17.5% VAT £600 million



50p

Publications

5% VAT £300 million

17.5% VAT £1.1 billion



90p

Public transport

5% VAT £550 million

17.5% VAT £1.9 billion



Weekly cost
per household
(17.5% VAT)

£1.56

Fuel and power

5% VAT £750 million

17.5% VAT £2.6 billion



£2.17

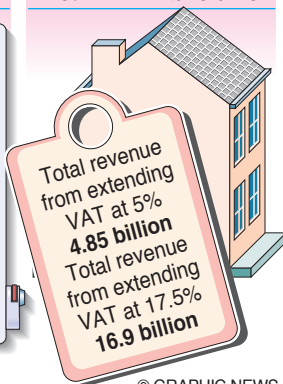
Others

5% VAT
£550 million
17.5% VAT
£1.9 billion

New houses

5% VAT £500 million

17.5% VAT £1.8 billion



Total revenue
from extending
VAT at 5%
4.85 billion
Total revenue
from extending
VAT at 17.5%
16.9 billion