

Labour's devolution model fuelled the SNP

At the end of the last century Labour pushed through a devolved Parliament for Scotland and a devolved Assembly for Wales. They did so claiming it would end the growth of the emerging nationalist parties in both parts of the UK.

Instead in Scotland it gave a platform and more grievance to the modest minority campaigning for independence twenty five years ago, swelling their support and leading to an SNP government in Edinburgh always pressing for more powers and for full independence. Under Nicola Sturgeon the SNP became a very successful vote winning party, drawing the support of a much enlarged minority that did want an independent Scotland and adding to it others who thought it a good idea to have an aggressive Scottish government seeking to maximise money and support from the rest of the UK under threat of leaving.

It led directly to the need for an independence referendum, which the SNP said they would regard as a once in a generation opportunity. No sooner had they lost and they were looking for reasons to try again, wanting to commit Scotland to permanent uncertainties and painful divisions as long as they lacked a majority for their cause. Nicola Sturgeon managed to keep in office whilst fuelling the divisions,. She did not seek to use the governing powers she enjoyed to improve Scottish services, but as a battering ram against the Union. During covid she gained advance information on the views and understandings of the Union government, to always go earlier and for more lockdown than the rest of the country. There was no wish to work collaboratively at a time of public health danger common to all when the rest of the UK wished to help and share with Scotland.

Now she has resigned it is possible to have a more informed debate about why the Scottish devolved powers in crucial areas like health and education have not been used to make improvements in services and management, despite the more generous money allocations sent by the Union Parliament. It is possible to rethink the collision course Nicola Sturgeon was designing to raise the issue of independence again, despite losing a court case over another referendum. Her party can rethink its views in letting rapists serve sentences in women's prisons which proved to be a provocation too far even for the very tolerant UK government.

Meanwhile our Union is also threatened in Northern Ireland by the EU. Fresh from its success in standing up at last to the SNP by seeking to override its unwise law, the government of the UK now needs to complete the passage of tis legislation to restore UK government of Northern Ireland.

My Article in the Telegraph

The Unionist community in Northern Ireland has been ignored and angered by the actions and words of the European Union. The Northern Ireland Protocol has as its first Article a statement that the Good Friday or Belfast Agreement takes precedence over the Protocol. It states that the constitutional status of Northern Ireland is to be upheld and all has to proceed based on the principle of consent. The hard won peace in 1998 established Stormont as a devolved Assembly where all decisions were to be agreed between the two main communities, Republican and Unionist.

The EU's insistence that all new laws passed by the EU apply to Northern Ireland breaks that promise of consent. Northern Ireland sends no Ministers to the Council to frame the laws and has no MEPs in the Parliament to approve them. The European Court of Justice is the ultimate authority on how those laws are interpreted and enforced. For this reason all Unionist parties in Northern Ireland refuse to return to Stormont to govern in agreement with their Republican colleagues.

The EU wishes to portray this dispute and the rest of Brexit as a matter of trade, when it is primarily a matter of who governs. There are various ways of smoothing the passage of goods between Great Britain, Northern Ireland and the Republic of Ireland that do not require EU laws to apply to Northern Ireland and do not end up in the European Court of Justice. It is the EU's refusal to explore such options that have left this issue unresolved for so long. The EU should return to the negotiating table willing to accept Article 1 of the Protocol and the Articles of the Good Friday Agreement, and to see they are incompatible with Northern Ireland having to accept EU law and the EU Court.

The UK and the EU have both said they do not want new physical border controls. There is no need for them. The EU now seems to want to walk away from this promise, by proposing new border posts and controls between GB and Northern Ireland, whilst respecting the wish not to have such further controls between NI and the Republic. It is neither sensible nor fair to suggest creating a complex internal border within the UK to avoid one with the EU. The UK would happily make it an offence to seek to send unwanted or non compliant goods to the Republic from Northern Ireland, and would use full state powers to enforce against smuggling. Checks needed on GB to NI trade can as now take place at the premises of the company despatching the goods from GB or at the premises of the buyer in NI. All will be covered by the usual standards, enforcement and electronic paperwork that is used to regulate internal trade in GB. Trusted trader schemes work well. Surely a UK supermarket chain which can send sausages to Liverpool without a border check at the city edge can also be trusted to send the same sausages to Belfast for its store there?

The UK government has said it cannot accept proposals which do not result in the restoration of Stormont. As Unionists have made clear, it will require a sensible fix on trade issues which end the idea that Northern Ireland is

governed by EU laws and is still under some influence or jurisdiction of the European Court of Justice. The EU/UK trade agreement has reference to an independent arbitrator for disputes, not to the ECJ. That is what is needed as a long stop in issues of UK to EU trade across the invisible Northern Irish border. People in Northern Ireland will follow EU rules and requirements for anything they export to the Republic as all countries selling into the EU need to do, but not for the rest of their business activity.

More Tax offsets are not as good as a lower rate

Those who battle Treasury orthodoxy of no tax cuts often end up going for a feeble compromise of allowing more tax offsets, tax free allowances and temporary concessions. These are well intentioned and marginally better than unrelieved high taxes, but they will not provide the big boost to investment we need.

A business looking at an investment is of course worried about the up front costs and cash outflows when making the initial commitment. An investment allowance allowing the business to pay less business tax in the year or two when it is building the new factory can help with that initial cash outlay. What the up front allowance cannot do is to make the figures for the rewards on the investment over the life of the project look much better to justify going ahead in the first place. An investment when our business tax rate is 19% looks a lot better over 25 years than if you have to put a 26% tax rate in. An investment earning £100 m of profits over 25 years will pay £7m or 37% more tax at 26% than at 19%.

Worse still is many company investors will look at where best to place their next factory or office from a list of countries ranked by their headline tax rate. Where the UK at 19% was in a decent place on the table, at 26% it is an also ran. Many lists will not include countries with a rate that high. The company with a possible £100 m of profits will stay and pay £19m but may well not hang around to pay £26m.

The Treasury needs urgently to rethink its policies to attract and sustain investment in the UK. 26% does not hack it, with or without super allowances at the beginning.

End the tax and subsidy machine

One of the joys of tax cutting which even gloomy Treasury advisers should like is the way cutting taxes can allow you to end or cut subsidies. The present government has been dragged into an expensive and poor model of taxing too much then offering subsidies as offsets, or vice versa. We read how they offered subsidies to Astra Zeneca to put their investment into the UK only to find Astra preferred a lower tax rate and rightly so.

We are currently offering substantial subsidies to users of domestic gas fuel, whilst charging VAT on the fuel as well. Why? If the government suspended the VAT whilst fuel prices are high there would be two big benefits. Inflation would come down a bit quicker, cutting other public sector costs. Energy subsidies could be reduced saving more public spending. Cut out the middleman and woman employed to get the tax right and get the subsidy payment right, and save on admin.

We currently impose the highest carbon taxes on our high energy using industries like steel and ceramics. They then are not competitive, and end up needing large subsidies from taxpayers if they are to have any chance of limping on in a very competitive world. Why do the round trip and end up with a bad answer? Suspend the taxes whilst times are tough.

The government has got to get away from the idea that it is wise enough to fix prices, settle subsidies, offer tax incentives and dictate a new pattern of economic output unrelated to people's wishes and preferences. There is too much nudging and not enough allowing. If government sets out too many rules and interventions big business and rich people decide to go elsewhere. The interventionist model ends up with too heavy a reliance of imports. Too much borrowing and money printing ends in poor outcomes. That is why we need to cut tax rates to raise investment and tax revenues. That is why it is foolish to tax to raise money to subsidise the activities you are overtaxing.

Cutting tax rates can lead to more revenue

The decision by Astra Zeneca to put a major new investment into Ireland where they charge 15% business tax compared to our new rate of 25% shows just how stupid our high tax policy is. Instead of getting 15% of a good stream of profits over many years alongside income tax and VAT on all the well paid jobs they bring, the UK has settled not to have any of it. 25% of nothing is nothing.

The same folly is evident in the North Sea. In a rush to get a bit more

revenue this year with high and erratic windfall taxes, the government has delayed or lost important investments in new gas and oil fields. Instead of generating more well paid jobs and plenty of tax revenue on the output over the next decade or two, we opt to import and to pay huge taxes away to foreign governments on all the imports. Just one of the fields not currently going ahead would generate a gross £25bn over its life, with a lot of that passing directly to the Treasury in taxes.

Ireland makes my case perfectly. With a much lower rate of business tax than us Ireland enjoys a much higher proportion of its revenues from business tax because so many businesses go there to set up an HQ and to invest in plants and offices. Ireland has a much higher per capita national income than us thanks to all the foreign investors congregating there to create jobs and spend money. The UK should copy them with a 15% tax rate as Jeremy Hunt himself proposed last summer. We too would get more revenue and have higher per capita average incomes. Enthusiasts for the EU are always urging us to align more with our Irish neighbours. This would be a great way of doing just that.

When Margaret Thatcher and her Chancellors cut higher rate income tax from 83% to 60% and then to 40% the amount of income tax paid by the better off rose in cash terms, rose in real terms, and rose as a proportion of total income tax. What's not to like for all involved? When George Osborne drove UK corporation tax down gradually to 19%, the take from company tax went up, not down. So why do OBR and Treasury models tell Ministers any cut in tax rates will lead to a reduction in tax revenue we cannot afford? History and modern experience suggests otherwise.