

Taxing the rich

I will let you into a well kept secret. Each time Conservatives have cut the top rates of Income Tax or taxes on wealth the rich have paid more tax.

When Margaret Thatcher and Nigel Lawson in budgets cut the top rate of Income Tax from 83% to 40% there were howls of protest from Labour about a loss of revenue and the moral outrage. Instead the better off paid more tax in cash terms. They paid more tax in real terms after allowing for inflation. They paid a bigger percentage of total Income Tax.

How? More rich people came here or stayed here. More kept Income and wealth here to tax. More worked harder to earn more, and more took risks with their money to set up businesses and create more jobs which in turn produced bigger dividends. It was a win win for all.

The same thing happened when George Osborne cut the top rate of tax from 50% to 45%. Lib Dem's in the Coalition blocked more tax raising rate cuts. With labour they want taxes to penalise success and deter risk taking.

Corbyn's UK were he to become PM would be a hostile place for business builders, risk takers and hard workers with good earnings. Jealousy is not a good emotion at the best of times. It is a dreadful basis for an economic policy. We need to get tax rates down. Not only will more people be more successful but there will also be more tax revenue for schools and hospitals. Labour's launch was unusual with its lists of people and roles they want to bash.

The choice in the election

The polls and betting suggest the choice is between a Conservative led majority government or a Corbyn Labour led minority government. There is a large divide between what Labour is offering and what the Conservatives propose.

Labour's approach is based on large increases in taxes and borrowing, to finance a large expansion of the state. In particular they want to nationalise large swathes of the utility sector with discounted compensation to existing owners, and wish to take 10% stakes in quoted companies.

The Conservative approach is likely to be based on the controlled increases in public spending on health, education and the police they have announced, with some tax cuts to come. I would like to see the 1% of GDP stimulus from this combination that I have been arguing for.

We know from past experience at home and present experience abroad that the Labour high tax high spend high borrowing strategy will miscarry. Taxing the successful, hard working and prudent more will send some of them abroad and others will be less motivated to grow their businesses and create more jobs. Excessive borrowing by the state can crowd out credit for business and for individuals to buy assets for themselves. The Labour leadership have admired some latin American countries like Venezuela in the past for their generous expansion of welfare and state spending, only to see the misery economic collapse creates. Well intentioned socialism often ends up creating shortages in the shops, a balance of payments and overseas borrowing crisis, and more poverty as businesses pull out and jobs are destroyed.

Conservative and Coalition economic policy since 2010 has stabilised a badly damaged economy and has created conditions for many more jobs including full time and better paid jobs to be created. Inflation has stayed under good control, productivity has been disappointing and real wage growth like much of the rest of the advanced world weak. Banks are now stronger and debts under better control.

The right things to do now are to pursue policies that can help lift productivity and therefore real wages at a faster pace, to ease conditions sensibly without alarming international investors.

Probate Fees

I am pleased that the Government is dropping proposals to raise probate fees, following representations from myself and many others.



Ministry
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The Right Honourable
Robert Buckland QC MP
Lord Chancellor & Secretary of
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MoJ ref: MC 73644

28th October 2019

Dear John,

PROBATE FEES

Thank you for your letter of 22 October regarding probate fees.

You will be aware that my predecessors laid a Statutory Instrument (SI) before Parliament in November 2018 to amend probate fees from the current flat fee structure, of £155 for applications from professionals or £215 from non-professionals, to one which is based on the value of the deceased's estate. The fees, under this proposal, would be charged above the cost of providing the service, set under the enhanced fee-making powers approved by Parliament in the Anti-Social Behaviour, Crime and Policing Act 2014, with all additional income contributing to HM Courts and Tribunals Service.

I recognise the concerns raised about the Government proposals to introduce changes to probate fees. I have listened and responded to these concerns and have therefore decided to withdraw the previous proposals. However, as Lord Chancellor, I have a statutory duty to ensure an efficient and effective courts and tribunal system and to provide this it needs to be properly funded. While it was widely felt that the proposed level of fees was too high, I maintain that it is right that those who use the service should contribute to its costs, where they can afford to do so without impeding access to justice.

After assessing the options available and listening to the views of our stakeholders, I made an announcement on Saturday 12 October of my plans to withdraw the SI and to take a closer look at court fees, including probate, as part of a wider review. The outcome of the review will be announced in due course.

Yours ever,
Robert

RT HON ROBERT BUCKLAND QC MP

P.S. Thank you for raising this directly with me.

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Foreign leaders and elections

It is usually best if Presidents and Prime Ministers stay out of each other's elections. In free societies media interviewers can ask foreign leaders to make comments and they do so if they wish.

There are two big differences between President Obama's intervention in our referendum and President Trump's remarks yesterday. President Obama was clearly encouraged to intervene by the UK government who were committed to Remain. They used the intervention to try to persuade voters, drawing attention to it as part of their case in the referendum. The UK government did not ask President Trump to make comments yesterday and is not planning to use his comments in their election campaign.

The retreat from globalisation

Tariffs and other barriers are going up between the USA and China, the USA and the EU, around Iran, between Japan and South Korea and between India and Pakistan over Kashmir. There is a new economic nationalism abroad.

It is also pronounced in some businesses and industries. The vehicle industry in particular is retreating to home factories under the weight of falling demand for diesel and petrol cars.

The Japanese car makers are moving more production from the EU to Japan, partly owing to a rare move to zero tariffs in their new Agreement with the EU. Ford is pulling out of European factories. If the Fiat/Chrysler/Peugeot merger goes ahead they may wish to concentrate EU production in the two home bases of Italy and France.

Globalisation is not always the right answer. Complex supply chains come about often because companies find cheaper components and raw materials from afar which they reckon they can weld into their production to cut costs. Sometimes this turns out to be a false economy. Long distance travel for components both increases travel costs and in some cases adds an additional risk of delay to supply. Too many competing suppliers may not breed good long term relationships between assembler and component maker.

There is a rival school of thought to globalisation which says working closely with a limited number of suppliers that are nearer to the main factory may produce better results. Today suppliers often have to operate full transparency with large corporate buyers, who will expect to know their costs, margin and investment rate. For certain finished products to qualify

as coming from a given country for Free Trade Agreement purposes there is often a minimum total value requirement which affects how many components can be foreign sourced.

President Trump's America first policy is designed to onshore jobs that have gone abroad. It is finding that in the current climate of industrial recession worldwide, with a particular problem in the vehicle industry, it is difficult to increase manufacturing jobs by these means. As the UK comes out of the EU we need to rebuild UK capacity to make more components for industry at home and produce more of our own food.

One of the reasons we need to get on with our exit from the EU is the opportunity it will give us to have our own trade policy, to lower our average tariff and to do a better job at promoting home produced food and goods . It has been damaging to be caught in the US/EU crossfire in the recent tariff disputes.