

Taxing the rich?

The government has indicated it wants to cut income and wealth taxes. Doubtless the cry will go up from Labour that this will be tax cuts for the rich. In trust in practice it will be tax cuts for all. Today I want to seek your advice on who are the rich that Labour wants to tax.

Let's begin with a group of millionaires. Many would say automatically all millionaires are rich, because by definition they have a million pounds of assets which no poor person enjoys. Here are some interesting millionaires:

Mr A is an elderly pensioner living on his own in a modest one bedroom flat in central London. He bought this many years ago, and it is now said to be worth £1m even though it is not in a good state. He has no other savings and lives on the state retirement pension and top up benefits. He cannot afford a car or holidays. He does not want to move as his friends and support group live nearby.

Mr B is another elderly pensioner who lives in a modern flat in a market town, worth £250,000. He has an investment fund worth £750,000. With his adviser he plans to draw down around £50,000 every year to spend, and reckons with the anticipated returns his fund might last him 20 years. He will adjust his drawing up if the investments do better, and down if they do worse. He also has his state pension.

Mrs C recently sold her £750,000 family home on the death of her husband. She also has £250,000 of other savings. She has bought a £250,000 new smaller home. She has given £250,000 to each of her two children to help them with housing and private education costs for her grandchildren. She has bought an annuity with the other £250,000 to provide her with an income of £10,000 a year to add to the state pension.

Mrs D and her new partner have just sold her £1m house and have decided to rent. They also plan to spend their way through the £1m whilst they are still in good enough health to enjoy the cruises, expensive hotel stays, grand events and good restaurants they have always wanted to try. They expect to spend at least £100,000 a year. They take the view that no-one knows how long they will live and you can't take the money with you. They say you can always rely on the state if you live for a long time.

Are all 4 of these people rich? If not, which if any of them are rich?

Mrs C is no longer a millionaire because she chose to give money away. Mr A is very income poor and depends on state top ups for his income. Mr B is on a well above average income, but will be depleting his capital, taking it down to very little over the balance of his lifetime. Mrs D will spend like a rich person but will run out of cash quite quickly as she does.

Do we tax them fairly? Those that spend away their capital will pay more VAT but less income tax and capital gains. Those who keep their savings will pay more income tax and capital gains tax. Those who move will pay more Stamp

Duty. Those who run down their capital will not only pay less income tax but will receive more state benefits if they live long enough. Those giving money away before their death will be trying to find ways to avoid Inheritance Tax.

Observant readers will realise that all these people have the same options as each other because they all start with £1m of assets.

[Illegal migrants and the Irish border](#)

Before we entered the EU there was a common travel area with the Republic of Ireland, and after we leave there will also be a common travel area. The checks at the border for people will be the same before and after exit. There is substantial co-operation across the border over criminals today and this will remain.

After we leave the EU it will still be possible for a person from another EU member state to get into the Republic, subject to EU controls on criminals and illegal migrants, and from there to cross into the UK in Northern Ireland. The UK system of control over migrant numbers will be exercised for the whole UK by the need for a work permit if someone wishes to get a job, by the need to establish entitlement if they want to receive a benefit, and the necessity to prove they are legal immigrants if they wish to open a bank account, rent or buy a property or get a car licence.

It is difficult to see therefore why an illegal migrant from the EU would bother to go through the tortuous journey via Dublin, only to find on arrival in the UK that their illegal status made it impossible to live a normal life or benefit from the good things that brought them to the UK.

[Bridge Farm](#)

I was asked about possible delays in Environment Agency representations on this planning application. Wokingham Borough tells me the EA has submitted their objections to the proposal so there is no delay to chase up.

The Irish border issue

Eurosceptics do not see there is a problem with the land border between the Republic of Ireland and the UK. As the government has made clear, the UK will not be imposing new barriers or complex new checks at the border once we leave.

The present border is already a complex border. It is a VAT border and Excise border. Trucks do not have to wait at the border while someone in a kiosk works out the VAT owing. It is all done electronically away from the border. States are good at knocking tax off business accounts without needing to collect fivers when the truck arrives. It is a currency border. Again the currency calculations and exchanges occur well away from the transit point. It is an anti terrorist border, which works by mutual co-operation on both sides. The day after we leave arrangements to control smuggling and to intercept criminals will be the same as today. The UK and the Republic of Ireland have confirmed that the long standing Travel Area between our two countries will continue, avoiding the need for extra checks on people crossing.

The UK will continue to inspect food products after we leave as before. The EU authorities will presumably continue to check and certify the products they are sending for export without needing a check at their border, and the UK will continue to regulate wholesalers and retailers with inspections and spot checks on their facilities and product as required, all away from the border. UK retailers will continue to be under a legal duty of care to ensure anything they import from the EU is safe food.

So why is there an issue? The Republic of Ireland and the EU say there may be an issue because they are concerned about "the integrity of the single market". It reminds us that the single market was never a free trade area, but a heavily protected system ring fenced with tariffs and dependent on detailed product specification and regulation. Anyone inside the EU or outside the EU has to comply with all aspects of the rules and tax requirements in order to sell into this market. Once out the UK as other third countries like the USA and China will have to comply with all the rules on goods exported to the EU, just as we do today. The difference will be that we can adopt different standards if we wish to for other overseas markets and for our domestic market. We may design better ones or we may need to adopt different standards for export product elsewhere. More importantly we will no longer be expected to pay large sums for the privilege of being inside this single market and we will be free to cut tariffs to buy cheaper goods from non EU countries if we wish.

The issue of the Irish border is therefore one for the EU, not for the UK. The question to them is what new checks if any will they impose on the Republic of Ireland border on their exports to the UK and their imports from the UK? Any checks they wish to impose on UK exports will of course have to be proportionate and appropriate under WTO rules. They also cannot impose checks against UK exports that they do not impose against exports from

anywhere else in the world. The EU says it understands the history of Northern Ireland and the Republic of Ireland. That means they will not wish to impose new barriers and difficult checks at the border. There are many crossing points, and like all such land borders smuggling is possible over fields and farms as well as along rural roads. There is smuggling today and there will be smuggling after Brexit. Authorities on both sides of the border have an interest in controlling and prosecuting smugglers, and do so today by intelligence led co-operation. The same is the best answer once the UK has left the EU.

The border issue is of course mainly a political issue designed to make it difficult or impossible for the UK to leave the single market and customs union. It only achieves this end if the UK accepts the faulty premise, that new barriers are needed at the border if we just leave. The UK government has stated clearly it does not think that. The EU also likes to claim there is no technology answer to this conundrum. They should remind themselves that their borders today work with much help from electronic manifests, off border settlement of taxes and dues, a low number of sampling checks at borders, checks at the factory or farm originating the product or at the wholesaler or retailer receiving the product, TIR transport systems and the rest. Computers and the internet offer plenty of ways of having smooth borders, reflected in the Facilitation of Trade rules of the WTO. The UK imports quite easily from non EU sources today despite EU rules and controls affecting such imports.

[HS2 under review](#)

I would be interested to hear from people about whether HS2 should proceed, be cancelled or built from the North first, leaving open the question of improvements into London.

I voted against HS2 when Parliament made the original decision and set out then the problems I saw with high costs, possible cost escalation, and optimistic revenue forecasts. Following the Mrs May review I accepted that government and Parliament want to build it, but now there is another government review after further large cost escalation.