

Cutting taxes

My least favourite tax cut is a cut in Corporation tax. The best reason to cut Corporation Tax is to increase tax income by attracting more business to the UK to pay the tax. I prefer tax cuts that boost people's take home pay, and tax cuts that remove or reduce taxes on transactions to encourage more activity. That way more people can fulfil their dreams.

Some of you have written in to say the PM cancelled or postponed the Corporation Tax cut from 19% to 17% in order to comply with EU policy to avoid tax competition between member states. I do not believe this. We are leaving the EU and will be able to follow our own domestic policy wishes on tax once we do. There is no need for the PM to go along with guidance from the EU on Corporation Tax and I have never heard him say he thinks he needs to in his various well publicised statements on tax.

It is true the EU has considerable power over our tax policies, with detailed controls on VAT and substantial influence on Corporation Tax through various court cases and decisions. They do not have the power to set our rate, and have put up with the Republic of Ireland setting an aggressively low rate to bid business away from the UK to headquarter and pay tax in the Republic.

So the issue is why did the PM change his mind? He has been persuaded that Corporation Tax is now at a low enough level to maximise the take, and that any further cut in rate would lose revenue. The Treasury have clearly told him they think a 2% cut would cut revenue by £6bn, which is a large sum given current budget pressures to spend more on various public services.

So the issue to debate is are the Treasury right this time on their tax forecast? It may be that some in the Treasury have other views that underlie this forecast, but they are all rightly protected by the doctrines of civil service neutrality and anonymity. It is for Ministers to appraise and cross examine these forecasts to see if they are likely to be right. I would be interested in your views about whether corporation tax revenue would indeed fall were the rate to be cut a bit more?