My Conservative Home article on the budget

A picture of Nigel Lawson hangs in the study at 11 Downing Street. I was told Rishi Sunak asked for it to be placed there. I understand Jeremy Hunt approves. As both men admire Nigel, why are they so wedded to high and higher tax rates?

Nigel Lawson brought intellectual self confidence and energy to the task of being Chancellor. He fearlessly slashed income tax and corporation tax rates. Extra revenue poured in as growth improved. He was soon able to claim after large cuts that the rich were paying more tax, were paying more tax in real terms and were paying more income tax as a proportion of the total. What's not to like? Why not do the same again?

The Chancellor should see that charging people on £100,000 a year 60% on anything above £100,000, more than people on much higher incomes are charged above £125,000, makes no sense. It also annoys the doctors we want to keep here and working in the NHS. Get rid of that anomaly.

The Chancellor agrees we need more self employed. The loss of 700,000 since covid from self employment is bad news. It is partly caused by the 2021 tax changes. Reverse them. We need more plumbers, electricians, white van men and women to help look after our homes and businesses. It needs to be worthwhile to them. They do not want an IR 35 and VAT nightmare.

The Chancellor himself advocated a much lower corporation tax rate when he put together his leadership bid. It was right then and right now. Ireland shows us how well it works. They raise four times as much tax from business per head than we do because they have such an attractive low rate. Why insist on higher rates to collect less tax?

The problems seem to stem from OBR and Treasury forecasts and accounting. They do not allow enough for extra revenue from changed behaviour when tax rates are cut. They ignore the evidence from modern Ireland or from the UK under Lawson. To them a corporation tax rise delivers more revenue, yet it was Osborne's corporation tax cuts that delivered higher receipts. The Chancellor should cut the rates and explain why he thinks the OBR revenue forecasts are too low. He can always hike the tax rate again if there was an exception to the rule that lower rates give us more revenue.

The government wants more investment. The super deduction from corporation tax helped a bit but did not produce an Irish style business bonanza. They could keep the deduction for longer, but will also need lower rates. Businesses model the cashflows over the life of an investment, not just the first couple of years when they are putting money in and benefitting from a tax offset then. A country with a low headline rate gets more investment enquiries. The UK is getting a bad reputation with a 31% hike in the Corporation tax rate planned, and with an avalanche of unpredictable windfall taxes. Getting oil and gas out of the North Sea instead of importing will lead to a 50% Corporation tax levy and a 35% windfall levy, making it one of the worst places to risk large sums for more energy. No wonder some good prospects are sitting under the sea with their owners unwilling to get into production anytime soon. We will collect less revenue because less oil and gas will be produced here by having such high tax rates. We will also lose out on all the high paid jobs and profits oil and gas activity bring.

As this is to be a budget for growth the Chancellor should raise the threshold for business to register for VAT from the current £85,000 turnover. There are many businesses that turn work down to stay below the threshold and probably some that illegally do extra for cash to evade registration. A higher threshold would mean more work and profit to tax and more supply capacity in a world of shortages and high prices. Put it up to £250,000 and let small businesses expand.

It is no good saying this time they will stick up taxes and hope somehow the deficit comes down, with a view to tax cuts next year. Next year is too late for them to have a beneficial effect on the economy before the election, and too late to stave off the downturn this year. High taxes stop growth which makes deficit reduction more difficult. We need a growth budget now, with some Thatcher/Lawson verve. More revenue comes to those who cut tax rates. Bigger deficits come to those who frighten off business and slow an economy too much.

The Chancellor should beware that President Biden is splashing the cash big time on a series of incentives through tax breaks and subsidies to draw much investment into the USA. We need energy, semiconductor, transport, broadband and much other investment here in the UK. The big players are telling us they will get better terms and conditions in the USA. The UK should improve its pitch by easing the tax squeeze. Why not suspend VAT on home energy all the time prices are high, saving money on the subsidy bills? Why not set out the prices and conditions that will end the so called windfall taxes? If the government says they go on until 2028 whatever the gas or electricity price they are not windfall taxes, but general energy taxes that price domestic supply out of the market.

The Thatcher governments were great tax reformers. As the Chancellor gazes up at Nigel Lawson in search of inspiration he should remember this record. They took standard Income tax down from 33% to 25%, and the top rate of income tax down from 83% to 40%. They cut the corporation tax rate by a third and Inheritance tax down from a top rate of 75% to 40%. Nigel Lawson abolished the Investment Income surcharge, capital duty, National Insurance surcharge, development land tax and the tax on lifetime gifts.

Because of this the economy grew faster and more revenue came in. If our modern leaders truly revere Nigel Lawson they should start cutting tax rates.