

# Tax rises do economic and political damage

Let me have another go at persuading this government to turn away from raising tax rates and finding new things to tax. Their own record should tell them that such proposals are usually unpopular with many voters. Where they have gone for higher taxes they have proved to be economically damaging.

Even the government now sees that the higher Stamp Duty rates imposed by Mr Osborne have hit the amount of revenue. Coupled with other adverse tax changes they have cut the flow of buy to let property investment, led to a substantial decline in turnover in various types of residential property, and reduced other tax revenues from the hit to the property market.

The Higher Vehicle Excise Duties imposed on dearer cars in the 2016 budget, coupled with the threat of new and additional taxes on diesel and maybe on petrol cars to come, led to a sharp decline in new car sales and to some decline in UK car industry output. That too cut various tax revenues that the government would otherwise have enjoyed.

The proposal in the Conservative Manifesto that people would need to make a larger financial contribution to their care when living in their own homes was greeted with a hostile response and was seen as a new tax. It had to be dropped, after it damaged the chances of a Conservative outright victory in the General Election. The government says it is looking again at how to pay for social care. It needs to be careful. There is little support for a new death tax.

The Treasury is always threatening some group or other with the possibility of new or higher taxes. There is little support for the bad idea of making the self employed pay more National Insurance. We need to be making it easier for people to work for themselves, not dearer.

Some want to tax technology more because it is popular and fast growing. Why not sit back and enjoy the higher revenues that will come as its growth takes place, rather than try to get more of the high tech success stories to go offshore altogether.

The way to get more tax revenue in is to cut rates and promote growth. In a very footloose and competitive world the USA has just got a lot more competitive thanks to the Administration's tax cuts. The UK needs to go the same way to succeed.

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## Iran and a conflict of laws

The US President brought sanctions against Iran into effect on 7 August, with more to come in November. UK and EU companies are warned that they need to comply with the bans on automotive, oil trading and other goods with Iran being introduced in two phases. The US Executive Order takes powers to enforce this against foreign companies by warning them that if they do not comply their assets and income in the USA can be distrained to pay fines and penalties, actions can be taken against their executives on landing in the USA, and they will find they cannot use US banks to facilitate their trade and business anywhere in the world. Many EU and UK companies have accepted this extra territorial assertion of power and are cutting their Iran trade in order to keep the far bigger US and global trade that could be damaged otherwise.

The EU acting for the member states argues against accepting these US sanctions. It has rushed out a reprise of the EU Blocking Statute of 1996 which was designed then to deal with US sanctions against Cuba, a legal instrument which was never used. It has added to this document provisions to cover trade with modern Iran, and seeks to impose a ban on EU companies complying with the US sanctions. Were this to be effective legally it would mean a double jeopardy for EU companies, facing legal actions against them and their US business if they bust the sanctions imposed by the US, and facing EU legal actions if they comply with the sanctions.

The form of the EU legal document is unclear. There is to be a committee of member states to supervise its actions. Member states themselves are invited to put in a penalties regime for companies breaking the Blocking Statute requirements. Bringing a case where a company simply decides against doing business in Iran could be difficult if the member states do put in place the necessary legal enforcement, though it would be easier if an EU company had broken an existing contract for fear of US retaliation.

This development of a further trade spat between the USA and the EU is unhelpful. Meanwhile we await the talks between the EU and the US over car tariffs and other matters.

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## The Barkham petition

I will make sure the strength of feeling in Barkham against further large scale housing development is well understood at Wokingham Borough. I am trying to get the government to agree that Wokingham has more than enough planning permissions outstanding to take care of needs for considerably more than the next 5 years. I wish to see the current local Plan upheld, with the Council sensitive to local opinion about the pace and location of additional

development when considering a future local plan. I talked to representatives from Barkham recently about the issue.

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## Spending the £39 bn – cutting VAT

Once we take back control of our money and laws we can review the incidence and level of VAT. It becomes a UK tax on 29 March next year, after years of it being an EU imposition.

I have set out before my wishes. Surely most can agree we should abolish VAT on green products. We wish to encourage people to have more draught excluder and insulation, and to have better controls on their heating systems, yet the EU charges them top rate VAT on it all. Lets simply abolish it.

I would also like to see us abolish VAT on domestic fuels. Fuel is expensive, and hits those on lower incomes particularly hard. Successive governments say they want to tackle fuel poverty. The best contribution they could make would be to remove the tax on fuel.

We should also abolish VAT on female hygiene products.

These changes would create some loss of tax revenue, but are easily accommodated within the savings of £39bn if we leave without giving the EU a present. I set out the costings of all this in the Brexit budget I offered as an illustration of the scope prior to the referendum.

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## Government tightens fiscal policy more to help slow the economy

The latest figures for borrowing show a further reduction in additional borrowing in the first quarter of the new financial year, as forecast here. Tax revenues are well up on a year ago, by more than the rise in spending, so additional borrowing falls again.

The authorities just need to be careful lest they slow the economy too much. Then they will find the deficit stops falling, as tax revenues are sensitive to the rate of growth. As expected, the combined fiscal and monetary tightening is slowing the economy, at a time when other advanced countries are offering more stimulatory policies.