

The brutal attack in London

I have awoken to the news of the dreadful attack in London. I will observe the Conservative decision to suspend campaigning.

I send my condolences to those who have lost relatives and friends, and wish all who are injured a speedy recovery.

The earlier post this morning was written yesterday and posted on a time trigger.

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The Conservative secret tax plan

There is a well buried secret in the Conservative Manifesto. It says the government will raise the Income Tax threshold to £12,500 by 2020, and will increase the threshold before you pay 40% higher rate tax to £50,000 by 2020.

I don't understand why we do not hear more about this. The Manifesto explains why it wants to bring tax down. It sets out a vision of a "Strong economy built on sound public finances, low taxes, better regulation and free trade deals with markets around the world". This vision is exactly the one most of you write in to demand, apart from the few who write in every day to condemn whatever I have said.

As we saw yesterday, setting a lower tax rate can bring in more revenue. It certainly has with Corporation Tax. Cutting the top rate of Income Tax from 50% to 45% increased the money taken from the better off. Mr Brown when Labour's Chancellor always thought you got most from the rich at 40% and who is to say he was wrong.

The government would be well advised to review the more discretionary taxes with a view to setting rates that bring in more revenue. Taxes on capital are regularly avoided by most people because they are transaction related. Many people refuse to sell their shares or their property because to do so would incur a tax charge.

We have seen how many fewer transactions there are in the property market after Mr Osborne's big increase in Stamp duties. It is true revenue from SDLT edged up £0.7bn in the first year after the hikes, but it is also true that transaction volume plunged. A lower rate would be very likely to bring in more revenue, and would do less damage. Currently many people are stuck in property too big or too small for their up to date requirements, but do not

wish to incur the high charge of moving.

Capital Gains Tax revenue is stuck around £9bn, a small sum given the large accumulated wealth of the country as a whole in shares and property. Asset markets have gone up a lot in recent years so there are plenty of gains to be taken. The truth is many portfolio investors tell their managers not to take gains above the tax free allowance. Many people who own a second home will not sell it when they cease to use it much, as they have no wish to share 28% of their gains with the Treasury. They hold on thinking the family might want it, visiting it when it is no longer what they really want to do. It would be better if they did sell and the home was used by someone who needs it.

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[Magic money trees](#)

The parties that might form a coalition behind Mr Corbyn if enough people voted that way are good at offering to spend lots of other people's money. There is a rivalry between Labour, the Greens, the Lib Dems and the SNP to see who can offer most for popular causes. They are much weaker when it comes to explaining how all this extra money would be paid for.

The favourite method they propose is to put the rate of Corporation Tax back up to 26% from the current 19%. They think this will bring in extra revenue. It has the political advantage of not directly involving voters in paying more, though of course the extent to which companies did pay it would be passed on to customers. They need to study what has happened to revenues in countries that have gone for higher corporation tax rates. The USA is puzzling over large untaxed profits sitting offshore and debating how far to lower their rate to be able to tax that money. They also need to study what has happened to the revenues in the UK since we cut the rates. It looks as if you need to cut the rate to get more tax from business, not put it up.

In 2010 when the Coalition took over the Corporation Tax rate in the UK was 28%. Total onshore Corporation Tax brought in just £30.9bn in the year 2009-10. This year with the rate down to 19%, the forecast is for £52.7bn from this source. It is true there has been an output and profits recovery since the bad days of 2009-10. It is also true that a lower Corporation Tax rate was designed to speed that very recovery, which has been stronger than on the continent over that time period partly because of the tax changes.

In the March 2017 budget the government had to up its forecast of Corporation Tax revenue for 2016-17 by £7.4bn compared to its November forecast just four months earlier! The Treasury's combined pessimism about the growth of the UK economy and the impact of lower tax rates on revenue had misled them badly. They claimed the increase was mainly to do with a timing difference in

payments. Yet if you compare the March 2016 Budget book with the March 2017 budget book, they have had to raise their forecasts substantially for several years. Their total CT forecast for 2017-18 is £8bn higher than a year ago, and their 2018-19 forecast is more than £9bn up. This looks like having the wrong model for what happens to this tax when you cut the rate. Going back to the previous March removes any distortion caused by their Brexit worries, as in March 2016 they assumed the UK would stay in the EU.

I do not think there is an easy option to raise billions by taking the UK Corporation Tax rate back up to 26%. You could end up with less and a bigger black hole in the nation's budgets. Large companies are footloose in where they employ people, provide services and make things. They have clever lawyers and accountants working for them to comply with the various global tax authorities around the world by taking advantage of lower tax rates where possible. Even the USA has not proved tough enough to force the profits back onshore.

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[More gloomy forecasts that will be wrong](#)

The gloom mongers have latched on to the slowing of the UK growth rate in the first quarter, after the UK's good performance in 2016. They forget the timing of Easter issue which distorted consumer spending patterns. They now have to work their way round some obstinately good PMI figures. They think this means a prolonged slowdown.

Usually they like PMIs, as these are more opinion surveys than hard data. They fell sharply in the summer of 2016 after the vote, but the real economy did not fall away with them and so they recovered. The latest PMIs are strong, with manufacturing yesterday at 56.7 for May where over 50 means expansion. On normal relationships between PMIs and the performance of the actual economy this points to a sharp acceleration in UK growth in Quarter 2 after a quieter Quarter 1. This is not just based on better exports as the USA and the rest of the EU grows a bit. A lot of it is domestic. Demand for services at home remains strong, with many small businesses with plenty of work and some capacity shortages apparent.

The experience of retailers can be misleading. Many bricks and mortar retailers are struggling to keep up volumes. Some are losing margin and having to keep prices down. Shop prices are still lower than a year ago despite the movement up in general inflation around the advanced country world. This is because the internet companies are taking more and more business, and are able to sell at very competitive prices. I see no reason to

change my view that the UK will grow around 2% again this year. Money growth is healthy and there are sensible amounts of credit available.

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Getting about – our motorways and trunk roads

The Wokingham constituency has reasonable access to the M4, and is within modest driving distances of the M3, the M40 and the M25 which are all an important part of our road network. To the west lies the A34 trunk road, and to the north east the short A 404 trunk link to the M40. All the other roads are local roads, including the A4 which was detrunked some years ago, and the A329M. Using the major routes travellers from Wokingham have access to London, to the west country, to Birmingham and to the north.

The distinction between trunk and local roads matters as they are managed in different ways. All local roads come under the control of the principal Council's Highways Department – in Wokingham's case Wokingham Borough to the east and West Berkshire to the west. The Councils have a budget to maintain and improve these routes, and they lead any policy for changing their capacity or their traffic controls. The motorways and trunk roads are a strategic network of major routes, affording on a good day faster journey times for longer distance travel for both cars and goods vehicles. They are especially suited for large and heavy vehicles, which can make good use of them at night when traffic volumes are lighter. This network takes one third of the traffic on just 2.4% of the roads. These roads are also relatively safe, accounting for 9% of the casualties. It is paid for and maintained by the national government.

In a General Election it therefore makes more sense to debate the trunk network, as this is the one which will be controlled by the government Ministers we indirectly elect. Of course road users want a whole system that works for them, and are not so fussed about who runs what, but it still makes sense to recognise the different budgets and controls which apply, as it affects who to blame and lobby for improvement.

There is insufficient capacity on our local motorway and trunk network. The government has recognised this, and is nearing completion of a 33% increase in carriageway capacity on the M3 from Junction 4 to the M25 by converting the hard shoulder and upgrading to smart motorway. There are plans ready for similar expansion of the M4 from Reading to the M25, which will be the next major expansion. The M25 western section has been upgraded substantially once in its life, and a study is underway on what more needs to be done to provide capacity in that all too busy corner of the world. There are ideas to

increase capacity on local roads to reduce local use of the motorway for shorter local journeys. There will need to be more capacity on the A 34 Southampton to Oxford which acts as a haul road for Southampton port traffic.

As MP in the last two Parliaments I argued the case for more capacity, allied to better sound reduction measures when the works are done on the M4. There will be more need of extra capacity and anti noise measures in the years ahead.

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