

Tax cuts now

This is an article the Mail asked for then decided not to run.

The budget needs to bring the deficit down. It should lower price rises and increase growth. The Treasury seems to think with the Bank that it needs to get inflation down first with austerity policies and falls in money and credit. They want to punish us for the big mistakes the Bank made printing so much money, and keeping interest rates too low for too long. The Treasury late in the day wants to put up taxes to pay for all the spending they unleashed as they tried to offset a lockdown and a big inflation. If they overdo the gloom and taxes they will push us into a recession. Recessions usually put the deficit up, as revenues contract and unemployment costs rise. It is time for some fresh thinking, not for more of the same old boom/bust official advice we have seen too many times in recent decades.

You cannot achieve the aims of cutting the deficit, controlling inflation and growing the economy without targeted tax cuts. Of course the Treasury are right in saying these should not be unfunded. They need not be. The Treasury should know all about unfunded spending rises, as they did enough of them over the last three years. If they had borrowed the money by selling long term bonds that would not have been such an inflationary problem, but instead they ended up effectively borrowing short term from the Bank of England. Now they are paying the price with big rises in the interest rate the Bank of England now chooses to charge them and we are all paying for the extreme monetary expansion they triggered to pay the bills.

We need targeted tax cuts to get prices down. Why not suspend the VAT on domestic fuel for the coming year? That would take domestic heating bills down by 5%. Now oil and gas prices have risen again on global markets, why not have a temporary cut in fuel duty to relieve some of the pressures on people and businesses when they need petrol and diesel to get to work and to deliver goods and services to our doors? When the government gave people subsidies for their fuel bills it did not help take the consumer price index down. Cutting the tax would. That has a beneficial knock on effect on spending, when it comes to updating benefits, pay and prices for CPI changes.

So how could we pay for this? As it happens the Office of Budget Responsibility has once again got its forecast wrong and understated revenues from existing taxes by £20 bn so far this year. That would more than cover it. If the Treasury insists on being more prudent why not sell the remaining shares in Nat West and use that money to pay for these temporary tax cuts to get inflation down? They could organise a great sale for the remaining holding with a popular offer, some free or discounted shares for employees and the retail public. Try cheering us up for a change.

The UK economy needs more domestic supply to help control price rises. Inflation is too much money chasing too few goods. The Bank now wants to squeeze the money, but we should also try producing more goods. Since February 2020 the UK has lost 800,000 self employed from the workforce. Some of this was covid created problems, but some of it is the tax changes introduced under IR 35. These make it more difficult for a self employed person to get contracts from businesses. The government should want to rebuild our self employed sector and should help do that by reversing the 2021 and 2017 tax changes. There are also things that can be done in the Employment Department to offer more support, mentoring and training to people currently out of work to work for themselves. Self employment offers great flexibility for the business person and the customers alike. We need more capacity in a whole range of services and specialist goods that the self employed excel at.

We should also want to boost our small businesses. They too offer a great way to expand capacity and supply quickly and in a low cost way. Raise the VAT threshold from £85,000 to £250,000 . This would enable a large number of businesses to do more, relieving a major barrier to their expansion. Small businesses turn down work and decline to take on an extra staff member because they do not want to have to register and put 20% on all their prices. The Treasury should also restore tax free shopping for foreign visitors to boost the tourist trade, and do more to lower business rates bills.

How could we cover these costs? The cost would be quite small even on Treasury arithmetic, and in practice could generate substantial additional revenues as more business was transacted and more earnings created. The public sector has presided over a 7.5% fall on its productivity in the three years 2020-22, which is roughly a £30 bn increase in costs for doing the same things. Now lockdowns are well behind us we need to get back to 2019 levels of productivity. This will entail a slimming through natural wastage of the civil service and other public sector administration, made easier to achieve by the wonders of modern computing. It should be possible by sensible personnel planning without redundancies to save £5 bn a year by the end of the first year of the programme.

The government should reorient its grants to stop famers growing food to offer future grants to promote more and better food production. The policy of using more of our own oil and gas instead of relying more and more on imports will also raise the amount of tax revenue the Treasury collects, and will add well paid tax paying jobs to the economy for the new fields. It also cuts world CO 2 output by substituting domestic gas down a pipe for LNG by ship with so much CO 2 generated to liquify, transport and gassify the product.

The Bank should not carry on selling bonds at large losses and sending the bills to the Treasury. It should allow its bond portfolio to run down as the Treasury repays the money borrowed through the bonds over the

years ahead. This will lower the state deficit excluding the Bank by many billions.

The Conservative party needs to recapture its tax cutting beliefs and show once again that only with tax cuts can you control the deficit, grow the economy and conquer inflation.