

Tax rises and tax cuts

Someone briefed the press that the Chancellor has asked officials to give him options to cut taxes in 2023 and 2024. He wishes to be seen as a tax cutting Finance Minister. Why does he need officials to tell him? Surely an intelligent Conservative Chancellor should have his own tax cutting priorities?

Why plant such a story. He is clearly defined as a tax raising Chancellor on a large scale.. He has broken the Conservative Manifesto pledge not to increase National Insurance by a damaging and needless rise from next April. The options mentioned in the press do not include getting that back down again.

He has announced substantial hikes in Corporation tax rates which will probably mean collecting less revenue than keeping rates low. Treasury models of future CT revenue have been regularly wrong, underestimating the boost from lower rates. He should set our rate at the new world minimum rate he wrongly signed us up to.

He has frozen Income tax allowances in order to drag many more people into higher rate tax over the next couple of years. This penalises people for getting promoted, gaining new qualifications and working hard. It is an anti levelling up policy. This is not a formal break of the Income Tax promise but it is certainly not keeping rates down for people getting a rise at certain income levels.

If the Chancellor really wants to be a low tax Chancellor he needs to reverse the tax rises he plans before they bite next year. He can use the excuse that in the first half of this year the deficit came in £50 bn below the idiotic OBR forecast, giving him more scope than he needs for my proposal. He can also argue that as the economy slows from here he needs to give it a boost to continue a decent recovery. Everything points to the need for him to act as they brief, to become the tax cutting Chancellor.