

Tax, tax and tax again

The richest one percent already pay 29% of the total income tax. Parties of the left want people to believe they can expand spending massively by getting the rich to pay more. Evidence abounds that higher rates of tax would raise less money, with more rich people leaving the country to avoid the impositions. The Labour government of the 1970s was famous for presiding over a brain drain, when UK as well as foreign born people left the UK to enjoy their earnings at a lower rate of tax.

The truth is Labour and the Lib Dems would need to increase tax on the many to pay for their programmes. It is now fashionable to say they would only borrow to invest, so all the extra money they want to spend on the running costs of public services and benefits would need to be matched by tax revenue.

The Lib Dems have said they would put a 1p in the £1 levy on income tax, a rate rise of 5%. They would also increase Capital Gains tax. There would be a frequent flyers tax for travellers. Corporation Tax would also go up. These measures are unlikely to raise enough to pay for their expensive programme. Labour decline to tell us how they would pay for the tens of billions extra they want to spend on investment, nationalisation and higher spending on public services. It would clearly take a large increase in Income Tax to pay for all they have in mind. Their proposals for higher Corporation Tax and higher wealth and higher Income taxes on the well off are unlikely to yield the extra they need.

The public is paying much more tax than ten years ago as the price of getting down the excessive deficit Labour ran up. Now the accounts are under better control it is time to relax a little. It would encourage more growth and more tax revenue to come if the government cut rates. I look forward to the Conservative Manifesto to see what tax cuts they will recommend for the first budget after the election. I will also continue to press for lower rates on income and savings. People should keep more of what they earn and have more to spend on their own priorities.