

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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