

The government taxed more than it spent in July

This week the latest figures for UK borrowing showed that in July the UK government collected £2bn more in tax than it spent. As predicted here, the four month figures for the year to date also showed continued outperformance of the borrowing target, with borrowing so far in 2018-19 £8.5bn below budget. The favourable outcome was entirely down to a further surge in tax revenues as the government continues with its budget strategy based on big boosts to tax revenue. Tax receipts were up by 6.6% in July.

The position could be even better if the government would reduce some of the tax rates it imposes. It could collect more higher rate income tax, more Stamp Duty and more CGT if it lowered the rates.

What I would like it to do is to increase public spending in the priority areas I set out recently, increase tax revenues by cutting over high tax rates,, and reducing spending in other areas. The government's financial position could be transformed if it leaves the EU without a Withdrawal Agreement payment. It could be further transformed if it cancelled HS2. Just leaving the EU without a Withdrawal fee would save £39 bn, allowing tax cuts for all of the kind where there is a cost to revenue, spending increases on schools, NHS, defence, a universal digital signalling expansion of railway capacity, more and better road capacity , and elimination of the deficit.

My critics here complained I just wanted to spend more and didn't care about the deficit. It would be easy from here to cut taxes for all – as well as cutting tax rates that do raise more revenue – increase spending and have a lower deficit. That is what I am recommending.