

The UK budget – do no harm

The main thing I want from the Budget is no more damage to the UK economy from new and higher taxes. I see trailed a series of proposals on how to tax us more. There is no need for any such proposals. The government will have reluctantly to publish new forecasts showing, as predicted here, that their last forecasts were too pessimistic and they have raised more tax revenue than they expected. There is no excuse to put taxes up.

Indeed, as often argued here, if they cut some tax rates they would probably collect more revenue from the increase in activity the tax cut generated. In several areas they have imposed rates that are very damaging to output and transactions. As an act of policy they decided on tax hikes to cut Buy to let investing, and to cut diesel car sales sharply. They were successful in both cases. It doesn't mean it was a good idea.

When Mr Osborne proposed extra tax on hot take away food he had to back down in the face of opposition to the pasty tax. His caravan tax was not much more popular either, resulting in an amended scheme. He got away with his big hike in Stamp duties, but we live today with the damage it has done to the housing market. It has put off many people from switching to more suitable accommodation, and has made it more difficult for buyers in the dearer areas to afford a new home. His Buy to let tax has pushed out the smaller investors, favouring companies, but leaving a much reduced demand to buy and provide private rented properties.

This could be the budget when the George Osborne damage is reversed. Let's go back to pre 2016 rates of Stamp Duty, to allow more people to afford a home, and to allow the market for homes to clear better. Why do we want to prevent people trading down to a smaller property, or moving to a place closer to their work? Why did Mr Osborne want to reduce work for estate agents, conveyancers, removal firms, renovators and furnishing businesses, as these all benefit from more transactions? If you tax dearer homes too much you can damage or stop chains of purchases and sales that may be necessary for people buying cheaper homes.

Mr Hammond did damage to the manufacture and sale of new diesel cars in the UK. This was an odd policy, given the government's alleged concerns about car manufacturing over Brexit matters. The imposition of very high Vehicle Excise Duty rates on new diesels provides an incentive to people to keep old diesels for longer, and has hit hard the UK manufacturers who have invested a lot in new cleaner diesel technology and who used to sell a lot of sophisticated diesel cars. The 25% fall in diesel car sales shows just how powerful the tax attack was. In this budget he should go back to 2016 levels of VED to help the UK industry, and to speed the change from dirtier old diesels to cleaner new diesels. The government says it is worried about levels of CO2 output. Diesels remain the better bet than petrol on this measure.

Cutting CGT would raise more money, as would cutting the 45% top rate of

Income Tax. We need Income tax cuts for all, which I will discuss in a future piece.