

The UK Treasury makes a mistake and helps an industry grow

The 2016 budget is famous for the damage it did to the residential property market and buy to let homes for renting. Its high Stamp Duties and withdrawal of interest relief had the predictable effect of cutting transactions and investment, and reducing tax income as well. The 2017 budget did something similar to the car market.

The 2016 budget also cut taxes on North Sea oil production and profits. That has had the predictable and opposite effect to the tax rises. Output is now well up, as is profitability. And yes, the government will collect more tax from the North Sea operations this year than when the tax rates were higher. This has happened despite lowering PRT to zero, as a result of higher Corporation Tax receipts on higher profits given lower costs, no PRT and a higher oil price.

One expert firm is spreading the idea that the Chancellor might reimpose higher taxes on the North Sea now it is doing better again. That would be a great idea if his aim is to cut the output of the area and to reduce his own tax take, but a silly idea is he wants to promote UK prosperity.

How many more examples do we need to supply to get across to the government that lower taxes not only boost incomes and output, but can also lead to higher revenues?