

Wokingham Conservatives Selection Council

The Wokingham Conservatives Selection Council last night passed a motion to adopt John Redwood as their candidate for the next election. The Selection Council comprised representatives from the different parts of the new Wokingham seat. It did not include representatives from the parts of the present constituency that pass to new seats being formed.

My Telegraph article on Corporation tax

The government rightly tells us it wants to promote growth in the March budget. To do so it will need plenty of investment from companies already here, and new commitments from companies attracted to the UK by the opportunities. To do that it is going to need competitive business tax rates. It should not be putting Corporation tax up by 31% in April just when it needs a boost from the business sector. It needs to get companies to put in a wide range of additional capacity in everything from energy to food. Without that taming inflation is more difficult. It is also the way to level up and to create the extra better paid jobs we want.

The aim of taxation should be to raise the tax you need to pay the bills with the least damage. All taxes do some damage. Governments use taxes to discourage people from doing things like smoking, excessive drinking, and polluting. When they turn to taxing jobs and investment they need to be careful. Do it too much and you put too many off doing the good things of working and serving the customers better. You can end up with less revenue, not more, as well as with an unhappy country.

It is best to tax the rich and profitable, as they have a lot more money to tax. Rich people and big companies also have many more options than the rest of us. They can switch their business, their residence and their investments to somewhere else if a given country puts the tax rates up too high. The way to get more tax revenue out of well off companies and people is to set rates they will stay to pay. Hike rates too much and you can have an exodus of the money you want to tax. High rates of income tax under Labour in the 1970s led to the brain drain as talent went elsewhere, contributing to a bad economic decline. They ended up with insufficient tax for their wider aims and a trip to borrow from the IMF which landed them with spending cuts.

George Osborne knew this when it came to Corporation tax. His steady reductions in rate, eventually down to 19% led to good increases in tax

receipts as more businesses came to the UK and more UK businesses ploughed profits back into more UK taxable activity. Meanwhile our neighbour Ireland opted for a much lower rate. At just 12.5% they scooped the investment pool. Ireland now gets four times as much business tax per head than we do. Large corporations have chosen to base substantial activity there to take advantage of the low rate. It has also led to Ireland having a GDP per head more than double the UK's and more than two and half times above the lower figure for the EU.

So why would you want to turn down the offers of world business to come, to create jobs and make money? The reason seems to be strange. It is based on Treasury and OBR accounting and estimating. The OBR is having a difficult time with the numbers. They forecast a deficit of just under £100 bn for this year in the March budget. In the November Financial Statement they put this up by more than three quarters to £177bn. Now just two months on and with only two months left to forecast they are putting it down again by £30bn. Yet it is on these volatile and inaccurate forecasts that the Treasury hangs the judgement they need to put taxes up.

To try to get the forecasts right the OBR has to forecast spending and revenue. Spending should be fairly easy to forecast as there is a complex system of spending control and approval, though of course energy subsidies have introduced a more volatile component. They find forecasting the revenue difficult, as it depends on how fast or slow the growth is. As a general rule when growth is faster the OBR tends to understate the revenues and when it is slower they tend to understate the deficit. It appears that their tax model is not dynamic enough.

There is no magic money tree, but there is a strong behavioural effect on taxes you can legally avoid. The government accepts this in some cases. The whole idea for example of a congestion charge or a carbon tax is to get people to avoid it. They are urged to drive less or burn less fossil fuel. In the case of business profits tax we can see worldwide the turnover and profits gravitate much more to the lower tax rate places, as with Ireland. The official models do not seem to capture this. The forecast that a big hike in the corporation tax rate will bring in an extra £15bn more by the second year seems unlikely. The absence of tax rate rises in January did not prevent and may well have assisted the unexpected surge in revenues that the OBR did not foresee.

The UK is crying out for so much new investment and business. We are short of electricity grid and cable capacity, short of reliable electricity generation, short of glasshouse and polytunnel market gardening, short of water supply in some places and during dry spells, short of steel capacity, battery production, short of home caught fish, short of domestic timber, short of good safe road capacity and short of much else I could mention. Many of these needs can be met by private sector investment. They often require government leadership of the projects, provision of the licences, and lower stable tax rates that companies can rely on. The UK was doing so well promoting itself up the league table of international tax competitiveness. It would be a tragedy to throw that all away today in the vain and self defeating pursuit of a lower deficit. Higher tax rates will lead to less

growth and lower business tax revenues. Follow Ireland. The Chancellor himself when a free man argued just this case.

Meeting with Michael Gove on housing numbers

I had a meeting with the Secretary of State for Levelling up, who is the senior Minister for Planning. I sought clarification that the new system will allow a Council like Wokingham to settle its own numbers of additional homes to be built in the next local Plan. There will be no override from national estimates or guidance. He stressed the importance of any Council producing a new plan, and confirmed the local ability to set the housing targets, without of course engaging on any detail over the specific Wokingham position.

A grim anniversary

One year on from the Russian invasion of Ukraine we send our condolences to all those families who have lost loved ones in the conflict. We condemn the needless violence and the damage to Ukraine's cities.

NATO has made clear it does not want a war with Russia. It has told Russia NATO is no threat to Russia's land or people. As proof of this it will not send NATO personnel onto the battlefield nor will it allow Ukraine to fire off NATO supplied weapons outside Ukraine's borders into Russian territory.

NATO under Biden got off to a slow start helping Ukraine but has now escalated its support by sending a much greater range of weapons and technical assistance. Putin argues that NATO provoked the fight as he seeks to provoke the West. The Ukrainian forces stopped the Russians reaching Kyiv and are now counter attacking in the South east where Russia has made gains.

Neither side currently want peace talks, as both think they can achieve more on the battlefield. China talks of a possible settlement but has yet to spell out how and what it would look like.

What would you like NATO to do next? What kind of a peace would be fair?

The future of the hotel used for migrants in Wokingham

I held a meeting with officials over the Home Office use of hotels in the local area to house migrants pending resolution of their cases. I stressed the undesirability of long delays both to the migrants and to the local community. If someone is a genuine asylum seeker we need to welcome them and let them get on with establishing a new life in the UK, and if they are illegal economic migrants they should not be put up for extended periods in hotels at taxpayers' expense. We need our hotels available for their normal users, to allow business people and visitors travelling to Wokingham a good choice of hotel, and to cater for weddings, conferences and events.

I asked when the Home Office plans to vacate the hotels . They did not know.

I asked what plans they had to ensure a smooth return of hotels to normal use. They said that was a matter for the hotels.

I asked for an assurance they would not be taking any more of our local hotels. They did not think so, but could not guarantee that.

I asked why they did not recruit more staff and get rid of the backlog of cases. They said they were doing so.

I asked why it took so long to decide a case for someone who had travelled from a safe country like Albania. They said they were now speeding these cases up.

I asked how they handled people who had come from a safe country like France. They said these cases could be complex and could not be done promptly.

I asked if I could assume they had not identified anywhere in our area for the idea that they transfer people still having to wait a long time from hotels to other accommodation. They thought that was true but could not confirm.

I asked for written follow up to the issues where they could not be sure of the answers, which I will share when I get it.