

Brexit wins – change at the Treasury?

We were always told during our time in the EU by its UK advocates that Tax was a reserved matter which stayed under UK control. This was one of many untruths as proponents of the EU sought to play down the extent of the power transferred instead of arguing for a vision of a united Europe where enough power did rest with the centre to allow EU government. The EU required us to legislate for VAT, and set requirements on which items must be taxed and on minimum rates. It started to impose a number of new environmental taxes . It controlled customs duties. It used court decisions to circumscribe company taxation.

The first task must be to re-establish full control over our tax policy, and to make some tax changes that are desirable in themselves and important to show that we have regained control. This government that wishes to be green should take VAT off insulation materials, draught excluder, boiler controls, solar panels and other green goods. Stopped from doing so by the EU, what is now stopping them? It would be good to remove VAT from domestic fuel all the time the price is so high, to assist with the cost of living crisis.

The government should review rules relating to Corporation tax that have been changed by European Court judgements, and reinstate the tax base Parliament thought it had legislated.

The new Freeports should be given a better offer over Business rates. A Freeport should be created for Northern Ireland. There the Corporation Tax rate should be aligned with the Republic of Ireland at 15% to attract more investment to the Province.

The Chancellor should review again the economic policy framework. The modifications to the Maastricht debt and deficit controls still leave in place versions of the old debt and deficit rules. These are leading to bad policy to hike the tax rates of NI and Corporation Tax. Instead we need to build the inflation target given to the Bank into the policy requirement of the Treasury, to engage them when the Bank creates too much money and credit as it did again in the later months of 2021. It should supplement it with a Growth Target. This would help avoid policy error going for too much austerity. As the last nine months have shown the way to get the deficit down more quickly is to grow faster, not to put up tax rates. We need to cancel the NI rise which is driven by the Maastricht debt criteria.