

# 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.

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## Global Britain's new independent poll

The IQR poll for Global Britain asked people for their preferences on leaving the EU. 43% want to leave with no deal, or leave to trade on WTO terms, 31% would like a Canada plus trade deal, 11% want to stay in the EEA, 10% want a second referendum and just 4% support the Chequers proposals. It just goes to show the people remain more sensible than many of the MPs. It has usually been the case in the UK that only a small proportion of the public are keen supporters of the complete EU project, and this is borne out by these figures. The 10% for a second referendum is similar to the Lib Dem vote in the last General Election when they were the only UK wide party offering this choice.

The only poll that matters remains the referendum, when the public were invited to make the decision knowing that leaving the EU meant leaving the single market and customs union.

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## The expansion of China

Western policy towards China in recent years has been to welcome her economic progress, to assist her with technology and markets for exports, and to include her more in world bodies and world discussions. China was admitted to the World Trade Organisation on favourable terms as a developing country. She has a seat on the Security Council of the UN as a major power.

More recently President Trump has asked questions about China's approach to trade, investment and technology. He has argued that China has taken advantage of western good will and friendship to cheat on the acquisition of intellectual property. He objects to the asymmetric tariff regime China has been allowed, and has felt their currency has been too cheap to assist their exports. He has become increasingly suspicious of the Made in China 2025 policy which seeks to maximise self sufficiency and to gain access to more crucial technology. He is concerned about China's Belt and Road initiative, designed to increase Chinese political influence across Asia, Africa and the Middle East through strategic investments and partnerships.

China has mainly used calm and reassuring words to avoid these disputes becoming too heated. China has positioned herself as an upholder of world

institutions and world rules, confirming that she is happy with the current trade deal she enjoys from the WTO. At the same time China has become much more aggressive throughout the South China Sea area. She has created artificial islands, extended islands and rocks, built runways for military aircraft on them and installed missile facilities. The USA and her allies are seeking to keep open the international shipping lanes whilst being challenged every time they seek to traverse the seas well off China's coast.

The UK is supporting her US ally in seeking open navigation of the South China Sea beyond Chinese mainland coastal territorial waters and shares some of the US concerns. The UK is also keen to develop its trading and wider economic relationship with China. China respects UK services and seeks know how and investment from the UK in those areas, whilst enjoying good access to our goods market. The issue is how should the UK proceed from here?

Is Mr Trump right to confront China over trade matters? What is the solution to the verbal battle of the South China Seas, as US and allied naval vessels are challenged every time they seek to travel in what we regard as international waters?

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## Meeting with Local government Minister

I met the Local Government Minister again today with some other MPs.

I urged him to make an early decision on the issue of negative support grant for Councils. Wokingham and West Berkshire would be badly affected were there to be any such charge against them, and it is important to future budgets that no such levy is made.

I also asked for more money for social care, following the increase announced recently to deal with immediate pressures. These budgets need to meet rising demand, and can help reduce pressures on the NHS budget when people are provided with the right support and care at home.

I lobbied for Councils to have access to their business rates in future years, as this too can help a fast growing place like Wokingham with new business rate revenue coming from new shops and other commercial premises.

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## Whiteknights Primary School and

# reading for young children

Congratulations to Whiteknights Primary on becoming a literacy teaching hub. Whiteknights has done well in teaching reading to young children and is now one of a few schools selected to provide help to other primary schools to raise their standards of literacy. More money will be paid to the hub schools to carry out these duties. Pupils at the hub schools should also benefit from the work the teachers put in to improve teaching techniques and to spread their local successes more widely.

One of the crucial elements is using synthetic phonics to assist early reading, as evidence shows this is the best method to encourage young children to read. This is a crucial task, as people's life chances and job prospects are much improved if they achieve good standards of literacy.