

Taxing the rich

Recent Treasury figures demonstrate that Mr Osborne's assault on Non Doms in the UK has meant some have left the UK. Rather than have to pay UK tax on their worldwide assets and income a good number of very rich people have decided they will not stay at all in the UK and will no longer pay UK taxes on UK investments and no longer earn money and profits here in the UK and pay tax on them. It means we lose the ability to tax their purchases of homes, cars and the other items they enjoyed when here. The number of Non Doms fell from 90,500 in 2016-17 to 78,300 in 2017-18. Their payments of CGT, Income Tax and NI fell from £9.5bn to £7.5bn. We also lost other consumption and transaction taxes they would have paid including Stamp Duty, VED, VAT and others. It is true some of the Non Doms converted to being domiciled here and now pay tax as a resident as an offset, but others simply left and pay nothing. The Treasury does not give us an overall figure of total tax paid by rich foreigners in both categories.

I am defining rich here as someone who has substantial investment wealth above and beyond their home or homes, people who do not have to work to earn a living and who can sustain an expensive lifestyle without getting a job. I am not talking about the well off who sustain a high quality of life by well paid employment income and who work for UK based companies or institutions.

In a world where people are rightly condemned for saying unpleasant things about groups or categories of people, an exception is made for the rich. Politicians of the left delight in tribal incantations against the super rich, often condemning them for the crimes of a few. I have met various rich people in my time in politics and government. I have met or read about saints and sinners. Some are modest, caring and keen to help others. Others are self seeking and self promoting. Some are scrupulously careful to do the right thing, others keen to push the boundaries of the rules. A few I see in the media are criminals who have broken laws to make their fortune or to try to sustain it. Most are law abiding, and take advice to try to comply with very complex tax and property laws that countries now apply. There is no evidence to suggest that there are more rich cheats as a percentage than cheats from any other income level in society. We should exercise the same care when seeking to describe the rich as a group, as we do when trying to describe a national or religious grouping.

Some argue that there is no trickle down, that there is no advantage to a country in attracting globally rich people to spend time and money in our community. I find this difficult to understand. There is clearly a first round effect when a person arrives in the UK and invests money in homes and businesses. They may bring a new business we need, or they may fund businesses here that require cash. There is a continuing benefit from the employment they generate from the things they buy and the services they need. There may be a final benefit if they come to love our country, as they may go on to endow charities or leave some other legacy.

To those who say they have driven the prices of homes up needlessly against

the rest of us, I would say they competed to buy homes most of us could never afford. They have brought forward a new export business especially for London of building high specification very expensive flats we would not otherwise have developed. These in turn spawn substantial employment to furnish them, service them, supervise and manage them. The German business model has been to sell rich people expensive cars they do not need but want. The UK model has been to sell them expensive homes they like but do not need.

The UK over many centuries has welcomed entrepreneurs and other wealthy investors to our shores. From the Huguenot cloth makers to the middle European bankers, from the oil sheiks to the Russian emigres, the UK has provided a home for people who can make a difference and who soon contribute from their UK incomes substantial UK tax revenue. Maybe it is time to revisit this question of how we tax them. We need to tax them to make a good contribution to our needs, whilst remaining competitive internationally.