

# Taxing whilst promoting growth

Most people's definition of the rich is someone better off than themselves. The millionaire feels poor in the company of billionaires.

Clearly, someone who has a decent home they own and sufficient invested capital to be able to pay their bills for the rest of their lives without needing to take a paid job is well off. Many retired people however, are by definition in that category. Many when they retire own their own home and have sufficient accumulated pension to live comfortably without recourse to work. People who achieve that well before retirement age, usually through success in business but sometimes through inheritance, have financial freedoms the rest of us do not enjoy.

I do not myself wish to punish people who through hard work and energy have bought themselves a decent home and built up financial savings for their later years. Governments of all persuasions used to encourage people to do both these things. There was mortgage interest tax relief to help home buyers, and unlimited tax free savings within a pension fund for the prudent. Recent governments have removed the tax relief on home purchase, and now have retrospectively limited the tax relief allowed to people who have saved and invested well for their old age.

I want to see the tax system allow people to succeed. Business success, when someone builds their own business from nothing, is a fine thing we should wish to encourage. High income and capital gains tax charges put some off building their business, or encourage people to sell out early. Buying and improving your own home is also a good idea. Why then make it more difficult with high Stamp duties?

There is a lot to recommend New Labour's tax settlement for the better off. They kept the Conservative's top rate of Income Tax at a maximum of 40% for most of their time in office. They cut Capital Gains Tax to 18%. These two rates were somewhere near the optimum rates from the point of view of the total amount of revenue collected. There is plenty of evidence that CGT above 20% raises less, and that Income Tax above 40% loses revenue. People with high incomes and substantial assets are much freer than others to move their domicile or place of business. They are also free to do less, venture less, earn less, if the tax rate goes too high. CGT is very avoidable. Many people refuse to sell shares from their investment portfolios above the tax free allowance. Many people are now sitting on second homes or BTL properties that they do not wish to sell because they do not want to pay the tax. It is easy to see CGT receipts going up if we went back to Labour's uniform rate for all assets of 18%.

Stamp Duties are now at very high levels for the dearer properties. Once a home goes above £925,000 the marginal Stamp Duty soars to 10%, or 13% for a BTL or second home. Over £1.5m the levels are 12% and 15%. In the Thames Valley I have seen some executive new build family homes on modest sized plots on the market for around £2.5m. That would mean the family that buys

paying £213,750 of Stamp Duty. In Central London in the dearer districts £2.5m would not buy you a house.

These rates should be brought down.