

# [Ed Davey launches the Liberal Democrat manifesto](#)

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## [Fairly reforming Capital Gains Tax to save our NHS](#)

**We have a fair plan to fund a rescue package for our health services.**

Our NHS is in crisis. The Conservatives have failed to deliver the new hospitals they promised and left people waiting hours for an ambulance, weeks to see a GP or months for urgent cancer treatment.

That's why, at this election, the Liberal Democrats are putting forward a bold £5 billion-a-year rescue package for our NHS. That includes funding to:

- Increase the number of GPs by 8,000, so that everyone can get an appointment when they need one.
- Boost cancer survival rates to among the highest in the world, by investing in cancer research and treatment.
- Improve mental health services, including talking therapies and walk-in hubs for young people.
- Bring dentists back to the NHS from the private sector by fixing the broken NHS dental contract.

Our plan is fully funded. After all, the Conservative Government has shown all too clearly the damage and pain caused by fiscal irresponsibility. So throughout our manifesto, all day-to-day spending commitments are funded by tax revenue, not borrowing.

But after years of damaging Conservative tax rises, and in the middle of a cost-of-living crisis, it would be wrong to ask ordinary families and pensioners to pay more to clear up the Conservatives' mess.

That is why our NHS rescue package is funded by fairly reforming Capital Gains Tax, to close loopholes exploited by approximately the top 0.1% wealthiest individuals in the country.

## **How would it work?**

Right now the capital gains system is broken for everyone.

Most people are paying far too much when they sell a property or a few shares, because the system doesn't account for inflation over the time they've owned them. At the same time, a tiny number of super wealthy people – roughly the top 0.1% – exploit it as effectively one giant loophole, to avoid paying the rates of income tax everyone else does.

According to the latest HMRC statistics, 14,000 multi-millionaires used the loophole to pay less than half the top rate of income tax on their combined £60 billion income.

We want to reform the whole system to make it much fairer – cutting taxes or keeping them the same for the vast majority of people, while making sure the super wealthy can't avoid paying their fair share.

Margaret Thatcher's Chancellor Nigel Lawson reformed Capital Gains Tax along very similar lines in 1988, arguing that having lower rates than income tax was "hard to justify" and "inevitably creates a major tax avoidance industry".

## **What are the details?**

Under our plan, there would be three rates of Capital Gains Tax, like there are for income tax: 20% (for gains up to £50,000), 40% (between £50,000 and £100,000) and 45% (over £100,000). Unlike now, where your Capital Gains Tax rate is determined by adding together your income and capital gains, the rate would be based solely on your gains.

The capital gains tax-free allowance would go up from £3,000 to £5,000, and crucially, we would also introduce a new "inflation allowance", so that any gains that are purely the result of inflation are not taxed at all. There would also be a targeted relief for small businesses.

## **How much would it raise?**

We estimate that these reforms would raise £5.2 billion a year in 2028-29, to invest in our NHS and improve local health services for everyone.

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# Ed's story

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## Free school meals for all primary school children

**The Liberal Democrats have launched their ambition to extend free school meals to all primary school children, funded by a new share buyback tax.**

The party's plan includes an immediate extension of free school meals to all 900,000 children living in poverty who currently miss out. The second phase would see all primary school children receiving free school meals as the public finances stabilise.



### **Ed Davey said**

“Across the country, I hear heartbreaking stories of children going to school with empty packed lunch boxes as parents struggle to cover even the basic costs.

“Conservative MPs should hang their heads in shame at a legacy of children going hungry in the worst cost of living crisis in a generation.

“Children cannot be expected to learn on empty stomachs with no guarantee of a hot meal when they get home.”

[Analysis by PWC](#) found that every £1 spent on free school meals for the poorest children generates £1.38 in health and earnings benefits, including improvements to children’s health, education and future working life opportunities.

The new policy will make the Liberal Democrats the most ambitious party on free school meals. The government currently only provides meals for all children in reception, year 1 and year 2. In year 3 and above, the government has set stringent conditions on family income for children receiving free school meals.

The manifesto pledge would be funded by a 4% [levy on the share buybacks](#) of FTSE 100 listed corporations, similar to the excise tax on buybacks implemented by President Biden in the US, which could raise around £1.4bn a year.

It is time for change. Every vote for the Liberal Democrats is a vote for a local champion who will fight for the wellbeing of children and their futures.

The Liberal Democrats have the most ambitious plan for free school meals of any party, which would save parents money and transform the future for millions of children.

### **Extend Free School Meals**

Back the Liberal Democrat plan to extend free school meals to all primary school children.

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## **A share buyback tax to boost growth and fund public services**

**Liberal Democrats are calling for a bold share buyback tax that would incentivise productive business investment, support the transition to net-zero and help raise vital funds for our public services.**

Liberal Democrats have reiterated our call for a 4% share buyback tax, paid by the 100 biggest corporations on the stock exchange, similar to the buyback tax introduced in the United States by President Biden.

### **What could it pay for?**

The move could raise around £1.4 billion a year, more than enough to pay for extending Free School Meals to an additional 900,000 children growing up in poverty. A fair tax to correct a huge injustice and offer help with the cost-of-living crisis.

### **How do share buybacks work?**

Share buybacks occur when large corporations use their profits to inflate their own share price in the stock market. They are a controversial practice that economists criticise for coming at the expense of productive investment in the economy.

### **Why is taxing buybacks the right thing?**

Most share buybacks are by oil and gas giants, big banks and multinational conglomerates that own a number of food and consumer goods brands. In other words, buybacks are being driven by the corporations who are profiting most from soaring prices during the cost-of-living crisis.

These companies have been making huge, unexpected profits, and they're spending vast sums on buying back their own shares. Buybacks totalled £52 billion last year, and companies announced another £27 billion in the first three months of this year alone.

### **Why is a buyback tax good for the economy?**

Instead of reinvesting their profits in skills, equipment or clean technology, many big corporations are just buying back shares to inflate their own share price. That's holding back the economic growth we need to create jobs and raise living standards.

Our share buyback tax would incentivise companies to change their behaviour and invest more of their money in the things that grow our economy and help tackle the climate emergency. More investment will also strengthen the public finances, helping to bring down the national debt.

In 2023, BP spent five times more money on share buybacks than on low-carbon energy. That's simply not right.

### **Why could this raise £1.4 billion?**

Based on current buyback levels, a 4% tax would raise around £2.2bn a year. We have taken a cautious approach to account for potential changes in company behaviour, estimating it would raise around £1.4bn a year.

### **Who else agrees with us?**

**President Biden:** He introduced a similar buyback tax that has already raised around \$8 billion in the US and is expected to raise \$74bn over 10 years. He said the tax would “encourage corporations to invest in productivity and the broader economy rather than windfalls for investors.”

**Independent experts:** The respected [IPPR](#) think tank has also called for a share buyback tax in the UK, saying it would help raise tax revenue and encourage productive investment.

### **What if companies stop doing buybacks completely and pay dividends instead?**

A 4% tax is not nearly high enough to make companies replace all their buybacks with dividends. The higher a tax is the more it changes behaviour, and 4% is a low rate.

Buybacks and dividends are not the same – they serve very different purposes. Buybacks are a way of keeping profits inside a company. They have a much more direct effect on raising share prices. And unlike dividends, they give existing shareholders a bigger stake in the company.

Companies may reduce buybacks in response to our tax, but our cautious estimate of what it will raise takes that into account.

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