

Why higher taxes are a bad idea

The debate about tax has been very slanted to socialist views this century. I agree that taxation should be progressive, with rich paying more and the poor receiving net transfers from the state. I do not agree with accompanying rhetoric that taxes can only be cut for the poor and should always be on the rise for the rich.

I have long argued that the way to get more tax revenue from the very rich is to set lower rates of tax. Armed with tax lawyers and accountants and able to change places to live and invest, the very rich have freedoms and opportunities the rest of us do not enjoy. To keep a good share of very rich investing here, creating jobs here, spending plenty of money here requires setting internationally competitive rates of business and personal taxes.

Today I want to add the argument that I favour cuts in tax rates for people on above average incomes who typically have a single well paid job or substantial savings but who unlike the very rich are permanent U.K. residents and taxpayers who do not find legal ways round current taxes. We need to make it easier for risk takers, small business entrepreneurs, people who go through long training and education to qualify for better paid jobs to aspire and to benefit from the risks and sacrifices they made. If you want an aspiration society you need to make effort and hard work worthwhile. Many of my constituents are on two or three times average incomes in the U.K. but they are not rich. We should not be trying to squeeze more tax out of them as a matter of principle as if they need to be punished for succeeding.

If we grow the economy more we will generate more tax revenue to improve public services. Growth needs to be in incomes per head, not GDP growth from increasing the number of people living in the country. Sometimes less is more, less is better. This is true of taxes.