

## The 50p tax rate - weighing up the options

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The Lib Dems are obviously [very sure that the 50p tax rate is going](#) in the budget. I have already explained the [substantial cost that will be suffered](#) if we do so, and the [statistics that may be manipulated](#) if the Tories decide to adopt this course of action. What is now clear though is that this issue is not being decided rationally - because if it were there would be no question of it being abolished. This issue is being decided politically.

There are likely to be three options available. The first is retaining the 50p tax rate. Everyone, bar the right wing of the Tories and the self interested would claim this as a success. That's almost certainly why George Osborne won't do it, although since the move would appeal to the vast majority the politician in him should follow his instinct and please the crowd on this occasion - because they can be right.

The worst case is that the rate is simply abolished and no alternative action is taken to ensure that those who benefit pay any other tax. I have argued that no mansion tax or tycoon tax could possibly make up the loss, but no attempt being made could of course only exacerbate the problem. The Lib Dems may be tempted into open rebellion. The future of the coalition would have to be in doubt. And there would be righteous indignation tending towards outright confrontation in the country at large. The sheer blunt political bias that such a move would present could not be assuaged by any claims on disincentive effects: no one (quite rightly) believes they exist, and equally thinks that if ever there were punitive effects of tax changes then those on parents on benefits deserve much more attention. Despite this the possibility of the 40p rate being restored seems very real.

And then there's the fudge that the coalition may produce - a cut to 45p. This will signal three things. The first is that the case for the tax rate raising money has been conceded. The second is that the political significance of the rate in delivering tax justice will have been conceded. And third it will say despite such obvious evidence that these first two present that the Tories will serve their own come what may. In that case the compromise may be the worst possible outcome of all for the Tories: they will have conceded that what they are doing is irrational and purely self serving but will have

done it none the less.

A 45p rate is the outcome I now expect.

If they do it's a gift. Let's use it.