

It's the Taxpayer's Alliance worldview - where the rich...

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I note the Taxpayer's Alliance are publishing a report in the morning on their ideas for the UK tax system. I haven't got a copy yet [but the Guardian summarises](#) its main recommendations as follows:

The most eye-catching proposal in the 417-page report, which is jointly published by the Taxpayers' Alliance and the Institute of Directors, is a call for a "single proportionate income tax rate" of 30%.

This would be achieved by cutting the ratio of spending and taxation to 33% of national income, forcing Osborne to maintain the current level of spending cuts until 2020.

In his original fiscal mandate, outlined in his emergency budget in June 2010, Osborne had expected the austerity plan to continue until 2015. But in his autumn statement last year Osborne announced that the cuts would be extended for a further two years.

The report by the Taxpayers' Alliance says that a single income tax could be introduced in six steps:

- Cut taxes to 33% of national income. Taxes currently account for 37.5% of national income.*
- Ensure that marginal tax rates do not exceed 30% and the personal tax allowance should rise to £10,000.*
- Taxes on capital and labour income "disguised" as business taxes should be abolished and replaced with a tax on distributed income.*
- Transaction, wealth and inheritance tax should be abolished.*
- Consumption taxes should remain for the moment but transport taxes should be cut.*
- Local authorities should raise half of their spending power from local taxes.*

The immediate temptation is to dismiss this as madness, and that would be appropriate except for the fact that we know these people have the ear of many people in the Tory party from David Cameron downwards. So let's summarise what this means. First, all wealth taxes go. So the rich get richer. Second all taxes on business profits go. And since businesses of any substance are owned by wealthier people that means the rich get richer. How will they do that? By retaining their income in companies and selling shares in them free from capital gains tax: that's how. The tax on corporate distributions they're suggesting has a built in massive loop hole contained within it. How convenient for those who can defer their income because they're already wealthy until a time of their choosing when it will be tax free! The personal allowance will increase very modestly to £10,000 and then 30% tax will due - which will hammer low earners and pensioners in particular, whose tax rates will rise considerably as a result, as will the tax rate for most on less than £45,000 of income a year. But of course the tax rate on the 10% earning over both that will fall, in some cases considerably. So the poor, will lose and the rich will win. Now, there's a surprise. And that will also be true for local taxes because forcing local authorities in poor areas to increase their tax yield from local communities will massively increase local taxes in these areas by reducing redistribution to them from richer areas, where the rate may well fall as a result. You're not going to be surprised that as a result the rich will get richer and the poor will get poorer and services in poorer areas will be massively curtailed, just where they are needed most. That's not chance: that's deliberate cold hearted callousness. And now let's guess which services are going to be cut to reduce state spending by well over 10%. There are only a few where this might be possible. The first massive cut will be to benefits, so the poor will get poorer. The next will be to pensions. So the poor will get poorer. After that there's international aid, so the world's poor will be poorer. And then there's the NHS, so those who can't afford to pay will die. And then there's education, where those who can't pay will be denied further education and no doubt many children will also lose out on nursery places so any prospect of social mobility is eliminated so that the rich stay rich. This is not a serious tax proposal. This is a proposal to radically restructure society in the UK so that wealth is massively redistributed from the poorest to the richest. But that means this is a deliberate recipe for social division. Just as it is a recipe to create massive unemployment, no doubt with intent to force down wages to subsistence levels. And it is deliberately designed to ensure the poorest die young. It's designed to deny any hope to most people. But most worrying of all, I think the whole reason for this is that it's intended to drive a wedge through society as a pretext to creating a draconian state when people would quite reasonably object, as they would if this were ever to be seriously proposed. Is that possible? Oh yes, I'm afraid. There are many in the Conservatives now plenty mad enough to embrace this. And they hate most people in this country enough to want to deliver it. That's what's really worrying, because let's be clear what this is: it's a policy built on the basis of hatred of ordinary people.