

# The only people who do not need a tax cut in the budget...

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Ed Balls has said he is in favour of a temporary cut in income tax in a recent Telegraph interview.

So am I, although a VAT cut helps the poorest most.

And I am even more in favour of direct government spending on infrastructure as that has the biggest bang per buck in boosting the economy.

In fact both tax cuts and spending are vital now. In combination the boost they will give the economy to get people back to work, off benefits and into paying tax will more than repay any short term increase in borrowing. This is the only rational policy for next week's budget.

But I suspect there will only be one tax cut in the budget. Expect a further cut in the large company corporation tax rate to be announced - reducing it to 20%.

This is the one cut this country does not need. It will cost more than £1 billion and the benefit will go only to big business. But we already know from widespread reports from the Big 4 accountants, Ernst & Young, more than £700 billion is held in cash by the largest UK based companies right now. A tax cut giving them £1 billion will in that case make no difference to the economy at all: they have all the cash they already need to invest and aren't doing so. However I expect dogma to over-rule common sense and for them to be given another cash give-away at cost to the rest of society and with the sole policy purpose of increasing the wealth divide in our society. But that, after all, is what Osborne is all about.