

Funding the Future

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The Greens, UKIP and SNP [all presented tax proposals yesterday in the run up to the election](#).

The Greens suggested a wealth tax on those with assets of more than £3 million a year. Its targeted, tackles a real and growing issue of social concern in the form of wealth inequality that is doing so much harm to the UK, and for the first time, because of automatic information exchange with tax havens, is plausible.

They also proposed a financial transactions tax, which I would welcome. Eleven countries in Europe are now operating one and in the UK such a tax would help break our dangerous dependence on the City and would encourage innovation in the rest of the economy. That has to be a good thing.

UKIP suggested a tax on the turnover of large businesses. This is bizarre, and wholly unworkable. First, the problem is that Google, Apple, Microsoft and so on do not have UK turnover: they sell into the UK, and not in it. That means that straightaway this tax would miss its real target. And second, such a tax assumes that all companies make the same profit rate. This is not true. Apple makes 40%. A supermarket makes less than 5%. Apply the same tax rate to both and the economic problems are obvious, as is the fact that supermarkets would pass this straight on in a price increase as if this was VAT (which in effect it is). As an exercise in proving a lack of tax credibility this one takes some beating.

And the SNP announced plans for a tax rate 3% lower in Scotland than the rest of the UK. Which, of course, they can. Except this is firstly an issue for the Scottish parliament and not Westminster so what it has to do with this election is hard to work out.

Just as it is hard to work out how Scotland will make good the resulting shortfall in the Barnett formula funding allocation to Scotland that will automatically follow from this, straightaway, when any increase in tax revenues resulting from this policy (and I stress the word any, because I suspect there will be none) will be a very long time in coming.

I'll leave aside the disastrous consequences for tax competition in the UK that this policy creates. Suffice for now to say that whilst the SNP proposal is considerably more

credible in tax terms than UKIP's offering it's economic consequences for Scotland really do need to be spelt out so people understand them, because they are pretty ugly. Exercising the right to choose on this one comes at a considerable price that I would not wish to pay. I would instead be demanding other, more realistic tax powers be devolved to Scotland. And if you want a suggestion, I'd make it employer's NIC. That has a real chance of pricing Scotland into work, and if something that could be demanded from Westminster after 7 May.