

LibDem tax policy: a package that is strategically a lo...

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It's obviously not true that all tax wisdom is deposited in one political party. The [Conservatives are struggling](#) to find any, [Labour is doing fairly well](#), although in need of more precision over last night's tax estimates, and the Lib Dems had a go this morning.

They have said ([and I use the Guardian's summary](#)) that they will commit to:

- * A new High Value Property Levy: on properties worth in excess of £2m — raising £1bn
- * Corporation Tax: limiting of interest deductibility — raising £800m
- * Corporation Tax: restriction of loss relief — raising £650m
- * Non Domiciled residents: increase in charges — raising £135m
- * Universal Credit: Transition measure on capital allowances, protections and 30 hr rule — £420m

The first is not that dissimilar to Labour. Both need to extend Council Tax bands instead for now and commit to Land Value Taxation in the long term.

The second is interesting and overdue, but if a tinkering not what we need. Comprehensive reform of tax reliefs is needed and this is no indication of a commitment to that. But I cautiously welcome it.

Play carefully with loss reliefs I say: restrictions can be valid (I would limit the time for carry forward as is very common elsewhere) but care has to be taken that economic reality is taxed, and losses are part of economic reality. These reliefs can be abused, and that should be covered by a general anti-avoidance principle, but great care is needed here.

The non-dom change is just wrong: Labour have this right and it does the LibDems no good to keep supporting this.

The Universal Credit issue is a really big issue for the low earning self-employed and little commented on as yet. They are to face a nightmare with new rules on supplying data on their earnings that are massively unjust and an enormous admin burden. Tinkering at the edges won't solve a problem of LibDem making.

I am also aware of another LibDem policy announced today - that those with dividend income who pay higher rate tax will have to pay an extra 5% income tax on dividends. This will collect £1.2 billion (although the same people have just been given £400 million of tax relief on interest by the LibDems, so this is bizarre). I welcome increased rates of tax on investment income, which is massively undertaxed in the UK at present. But why only dividends? Why not rents, and interest and other unearned income too?

All this smells of tinkering. It makes into a package that is strategically a long way short of coherence. After five years at the Treasury Danny Alexander should have been able to do something better than this.