

The issues where tax policy can make a difference

Published: January 13, 2026, 11:43 pm

It has always been my view that a country's tax system reflects both the society it is and the society it wants to be.

After the general election there will be a great deal (I hope) of policy discussion on the society we are and want to be if a [new economic narrative](#) that puts concern for all in society at its heart is to be created.

I will not be reflecting all that discussion here: that is not this site's purpose or the focus of my attention. But there are some key issues that need to be thought about if change is to happen where tax can and should help shape the viable outcomes that such a new narrative can offer. I am not going to solve all those issues in one blog, but it is worth listing at least some of these issues now because it is, in my opinion, more important to focus on issues that personalities and political posturing if change is to really happen.

So, in no particular order, areas where the tax and policy debates overlap are:

Wealth creation

Wealth creation is not the preserve of a few. Tax policy has to encourage work. It has to encourage full employment. And it has to encourage businesses to get going, survive, grow and employ people.

It has also to encourage the creation of value, and not just cash.

Wealth is not a measure of value - how much the nation is worth - but a measure of how much it makes.

In that case tax debate needs to be about how to encourage work, business and making of things of value - whether that is making goods or services.

And it has to be remembered that the vast majority of businesses in the UK are small. A policy for big business may well not be a policy for business as a whole. The aim has to be the creation of wealth from work right across the board.

Progressive taxation - both in rates and in the choice of what is taxed and how - can help that.

Shifting tax from work onto wealth accumulation and speculation can also help that.

The tax debate is about the wealth we want.

Growth and jobs

Growth is a macroeconomic issue. It comes from four sources: increased consumption, investment, exports and government spending. There are no other sources.

The question is, then, what sort of growth do we want, how do we measure it, and how will tax help us achieve that goal, or not.

Right now the growth question is not properly addressed because it is not understood, for example, that austerity reduces growth.

This debate is potentially massive. It is rarely engaged with.

Only when we get this right will we get the job market right.

Self employment and small business

There has been an enormous increase in self-employment in the UK over the last few years, much of it involuntary, but nonetheless persistent. Some of this has resulted in a rash of newly incorporated companies, but not all of it has.

There are enormous difficulties arising as a result, both with regard to collecting relevant income from these businesses, ensuring that they pay tax, policing compliance, but also in designing and delivering fair tax systems that do not impose a significant burden upon them, recognise the risk they face, fairly tribute reward within them, and which in the process create an acceptably level playing field for comparison between employed and self-employed options for work.

There was almost no debate on this issue during the course of the election campaign, and given the significance of this sector in the UK economy this was an extraordinary omission, where much more discussion is required.

Debt

Government debt is the flip side of too little taxation. It is pointless saying otherwise: by definition overspending can only be defined against income and since tax revenue is the government's income any debate about national debt is always going to be about tax.

But it's still true that despite seven years of focus on this issue the nature of government debt is not properly understood. That needs to change and real debate on when and in what amount debt should be incurred. Whether debt does ever need to be repaid also needs to be addressed.

And it should not be forgotten that tax can encourage private debt. Business and the buy to let market are heavily leveraged for tax reasons. Personal debt is the result of a shortage of income compared to pressure to spend and tax impacts on that pressure in a great many ways. This is another area where debate has hardly begun.

Housing

From buy to let, to who should build social housing, and how it should be financed plus how housing should be taxed in life and in death, there is no aspect of the housing debate that does not overlap with tax. There is much to do.

Inequality

There is almost no government that is not concerned about inequality. Tax havens seek to increase it; most other governments have the opposite goal. But whatever inequality we are talking about tax undoubtedly helps address the issue. Almost all economists now agree that a more equal society is good for growth: unless people have the capacity and willingness to spend growth does not happen. Tax is at the core of this agenda.

Infrastructure

The UK's infrastructure is in need of renewal. The transport system needs investment; energy is too dependent on carbon, we do not have the houses we need, and when we build those houses we will need new schools, GP surgeries, hospitals and so much more. It is a fantasy to think that this spend will come from the private sector: it will not, and only the government can create the change that is necessary to build the foundations of future prosperity. In that case taxes, of course, in this equation, but so too (vital) is Green Infrastructure Quantitative Easing. Any government has the right to tax and so too has any government got the right to print money. The two are intimately related.

Pensions

How are we to provide for people in old age? The last government has abandoned many of the protections around pensions and some of the tax reliefs have been reduced as well, at least for the well-paid. The idea that pension saving is a privileged form of investment that the state should support is at least potentially breaking down, but in that case what are the alternatives when it is obvious that elderly people cannot maintain themselves? If anything tax debate in this area has hardly begun because we

remain wedded to a system that is rapidly disappearing.

Trust

There is no doubt that there is a difficult relationship between many people in the government of the UK. Politicians have not engendered a relationship of trust. This is serious if democracy is to survive. The need to communicate about taxes never been greater and public education programme about what tax does and does not do, is essential.

HMRC has also corroded to trust in itself because of its appalling performances in front of the Public Accounts Committee and because of its apparent willingness to assist tax evaders and to give big business a light touch tax regime. That it is in need of reform seems to be beyond question, but whether it will happen is another issue.

The issue of trust does not, however, only relate to government. There is a lack of confidence in big business on this issue, and rightly so when it refuses to account for what tax it pays, where, and when. This has, quite simply, to change and I still think that the time for country-by-country reporting and the widespread use of the Fair Tax Mark is coming.

Europe

Of course the argument about Europe is about tax. I know that there is immigration and regulation too, but fundamentally it all comes down to how we better off or not in the EU, and whether you like it or not that will come down to a cost benefit analysis. Have no doubt about it, this is going to be a big issue for the next two years.

And it should be, because in some ways the EU has been one of the most effective organisations in beating tax abuse that so far has played a role in the international arena. The Code of Conduct on Business Taxation, the EU Savings Tax Directive and EU information exchangeable been critical. The EU Parliament has been driving demands for country-by-country reporting for tax purposes, but on public record. It has delivered the most radical versions of this that we have seen in the world today. And behind the scenes to large degree the EU has developed the best alternative to the current, outmoded, method of assessing corporation tax internationally, which is its Common Consolidated Corporate Tax Base, which the UK objects to, but which brings unitary taxation into the 21st-century and drags corporate taxation behind.

Have no doubt tax is part of this agenda.

The environment

This was the largely ignored issue of the election. I am not convinced that taxation is the only way to green the economy; regulation, a change in public mood, and a recognition of the reality of the harsh choices that we face are all more important, but

tax, no doubt, will play a part.

Law and order

The investment that the UK will make in law and order will, over the next few years, declined considerably. That is the inevitable consequence of the cuts that have to be made if the government is to meet its deficit agenda. This will have enormous consequences for the police, the court service, and also for HMRC. Having an unpoliced tax system is an unattractive prospect, but one that is becoming increasingly likely, whilst compliance with company law is already largely involuntary, and in Scotland entirely unenforced. We have to decide whether that is something we want, or can afford to live with.

Politics

The debate on tax in the election campaign was largely impoverished, seeming to be little more than a game of tit-for-tat about offering no future tax increases. Given the significance of the issue, and its importance to economic and social objectives recapturing the right to discuss taxation policy in an intelligent way seems to be one of the most important objectives of political debate at this point of time.

Summary

There is much to do.

I think I will be busy.

And this post has only scratched the surface of this issues that will need to be addressed.