

## What would I do tomorrow? My 2015 budget

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I gave a talk to Quakers in Bury StEdmunds last night, and thank them for their hospitality. In the question and answer session, which took up the larger part of the evening, I was almost inevitably asked what I would be doing tomorrow if I was to be presenting the budget. It was a good question. It deserves an answer, albeit in somewhat less detail than if I was really at the despatch box.

I would first lay out the background to an economic plan for the UK that recognises three fundamental facts. The first is that we need more, better paid, jobs. The second is that we need to tackle wealth and income inequality. The third is that we are going ridiculously slowly in tackling climate change and its causes. I would also raise some fundamental questions of tax reform. So, in very broad outline this would be my plan.

I would commit to a programme of [Green Infrastructure Quantitative Easing](#) of not less than £50 billion a year to generate jobs in every constituency in the UK, to drive up pay, provide careers and tackle the causes of climate change in a way that also reduces our dependency on imported fuel. Being funded by QE the programme has no impact on real government borrowing or real lending costs but yields a substantial return for the economy as a whole and for the Treasury and so reduces the deficit.

I would link payment of the minimum wage to a reduced rate of employer's national insurance. This would be self funding in terms of benefits saved.

I would begin a programme of moving towards a guaranteed minimum income by announcing that those in work not earning enough to use their personal allowance would be paid the cash value of their unused allowance at the basic rate of tax. This would be funded by withdrawing all higher rate tax reliefs of all sorts, including those on pension contributions, personal allowances and charitable giving.

I would increase the national insurance threshold at the lower end to match the income tax threshold for the time being, providing a direct boost to those on lowest pay.

I would pay for this by aligning the capital gains tax rate and income tax rates and

reducing the capital gains tax allowance to £5,000 a year and by introducing measures to prevent abuse of the right to transfer property between spouses immediately prior to sale.

I would also introduce an investment income surcharge of 15% on all investment income of those earning more than £5,000 a year from savings or capital gains to match the national insurance charges earned by those in employment for three reasons. The first would be to introduce horizontal equity into the tax system, where it is absurd that those who work for a living pay a great deal more tax than those who do not. Second, this would reduce the abuse of limited companies by those paying dividends instead of salaries to avoid national insurance charges. Third this would reduce income inequality. Pensioners would be exempt from the charge unless their income exceeded £23,000 a year.

I would reduce the tax relief on borrowing for buy to let mortgages, so that interest on any borrowing exceeding 60% of a property's value at the time of purchase would be disallowed for tax. The aim would be to reduce this ratio over time. The calculation would be on a per property basis. Funds raised would be used to fund new social housing.

I would announce the planned abolition of inheritance tax and its replacement with a lifetime gifts receipts tax, charged on cumulative sums received. This tax has outlived its usefulness in its current form.

I would increase the rate of corporation tax paid by small companies by 2% and by large companies by 4% as a specific charge to cover the costs that the risk of limited liability imposes on society when companies fail, as was evidenced in 2008. The charge would be a specific tax for the benefit of not having to pay all debt if companies fail.

UK controlled foreign company legislation would be radically overhauled to increase its effectiveness.

The OECD BEPS package would be welcomed.

The Diverted Profits Tax would be abolished but be covered by a new general anti-avoidance principle (see below) that would extend to artificially avoiding the creation of a permanent establishment in the UK.

The close company rules that permitted the apportionment of income from a company controlled by five or fewer people would be revived so that profits could not be permanently hidden from higher rates of income tax in a UK privately owned company. These rules would in the first instance apply to all investment and property related income and retained taxable profits held in cash or near equivalents and undistributed resulting from trading exceeding £100,000.

To compensate 100% capital allowances for trade related assets would be introduced for all such companies.

The UK research and development tax regime would be reviewed to prevent abuse for tax avoidance.

I would introduce mandatory country-by-country reporting for all multinational corporations of any size.

I would abolish the exemption from filing full accounts currently provided to small companies in the UK. Every company must account for its use of limited liability.

I would require that all banks trading in the UK provide an annual report to HMRC, to be shared with Companies House, on who persons beneficially owning more than 10% of any limited company might be and that they report how this has been established.

I would legislate to require all UK Crown Dependencies and Overseas Territories match these company law and disclosure provisions or require mandatory withholding of tax from all interest, royalty, copyright, dividend and management fee payments to them in the case of non-compliance. The right to extend this to other non-Uk territories would be reserved (the EU excepted).

The domicile rule would be abolished and be replaced by a four year temporary residence rule.

There would be no cuts in benefits but the benefits bill would fall because of the measures introduced to increase wages and employment.

The bedroom tax would be abolished.

New rules on benefits sanctioning would be introduced permitting such action only in the case of obvious abuse of the welfare system.

The benefits cap would be abolished. There would be almost no cost from doing so.

Child benefits would be restored as a universal benefit.

The personal allowance would be restored for those earning over £100,000 a year, but as with all other allowances would only be provided at basic rate.

The rate at which higher rate taxes started to be paid would be eased by the introduction of a 30% band for the first £15,000 of income over the basic rate band. The point at which the 45% tax rate was charged would be lowered to compensate.

HMRC would be subject to a wholesale review and an Office for Tax Responsibility, reporting to a new parliamentary select committee for tax would be created.

The HMRC board would be required to represent all taxpayers and their interests and not just big business.

HMRC would be provided with additional funding of £1 billion a year and be tasked with reducing the tax gap by at least £10 billion as a result.

The Office for Tax Responsibility would be tasked with establishing the tax gap and then monitoring progress.

The Office for Tax Responsibility would be tasked with simplifying the tax gap.

A new general anti-avoidance principle with penalties and a clearance system would be introduced.

A review of UK tax penalties, including the mandatory penalty regime for VAT, would be reviewed to prevent injustice arising.

This would be a budget for the lowest paid and the vulnerable. It would be a budget for jobs. It would be a budget for justice. It would be a budget that reduced inequality. It would be a budget for a level playing field. It would be a budget for tax simplification. It would be a budget for reducing the deficit. It would be a budget for business responsibility. It would be a budget that encouraged business investment but not business speculation. It would be a budget for a fairer, wealthier, more sustainable and progressive UK.

I would have no hesitation in recommending it to the House.