

Labour needs to take tax seriously

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For the first time ever, I think, in the history of this blog the following piece is jointly authored, in this case by me and [Jolyon Maughan QC](#):

During June and July the Parliamentary Labour Party asked itself what had the electorate meant when it spoke on 7 May? Whilst doing so the Party did, almost without noticing, make two decisions that effectively embraced Conservative policy.

The first was on the reduction in the welfare cap to £20,000 and the imposition of a two-child limit on future tax credit claims. These related measures might save a little under £2bn per annum in the last year of this Parliament. The Labour leadership said that they should not be opposed: that was a decision which has already divided the Labour Party and likely marked Harriet Harman's last meaningful act as interim leader.

The second was the Conservatives' decision to further increase the individual tax Personal Allowance whilst at the same time cutting the rate of Corporation Tax for companies. Again it was decided that neither of these would be opposed: a decision which in the same last year of this Parliament is forecast to cost double what was saved by Labour's change of tack on tax credits and the welfare cap. Despite that these decisions attracted — in the Labour Party at least — almost no attention. But the disbelief of SNP and the Tories at the Second Reading of the Finance Bill was palpable.

Theirs is a disbelief that we share. We write as tax experts and as friends — but from different places on the political spectrum. Richard is not a Labour member but has advised the PCS, the TUC and Unite on tax issues, including the Tax Gap and is also the architect of Jeremy Corbyn's plan for People's Quantitative Easing. Jolyon is a leading tax QC who devised the Miliband Manifesto's Non-Doms policy and who is a member of the Labour Party who sits in the centre ground.

Whatever our differences we share the view that the next Labour leader must look afresh at Labour's current position on the Personal Allowance and Corporation Tax. These hugely expensive tax breaks disproportionately benefit those at the top of the

income distribution and the wealthy. There is no evidence that they are politically necessary. And nor can it seriously be suggested that they further the aims of the Labour Party: indeed, looked at as a decision on how to allocate scarce resources, they are antithetical to those aims.

Troublingly, they represent just one example of the policy positions Labour has adopted on tax that do not support its moral purpose and which seem to us to result from its failure to think clearly about tax policy.

We know that the Labour Party in opposition lacks the technical resource at the disposal of a sitting government. This affects profoundly its ability to make the right interventions and develop sound policy. It also has, to our knowledge, no Parliamentarians with a detailed technical knowledge or who communicate confidently in the field. Vitally, it has no retained advisers who are expert in tax. But this has not just been a problem for the Party when in opposition: in Government the quality of its decision-making has also at times reflected a cultural insecurity. It has too often been timid when it could and should have been bold.

If you think this doesn't matter we beg to differ. As the decisions we've noted make plain, however closely the Party scrutinises the allocation of resources, if it ignores their collection it will not advance the interests of those it exists to serve. As the result of the General Election clearly demonstrates, the moral case advanced by the Party is not enough: competence too has to be proven and tax is too big an area for it to ignore when it comes to that vital issue.

In that case we make a simple, but we think essential request: we call on all the Labour leadership candidates to commit to increasing the tax expertise in and of the Labour Party. In or out of office its voice on this key issue is vital to its role in our parliamentary democracy. It has a duty to be competent, coherent, consistent and calculated about tax as a result whilst placing this issue firmly in the consciousness of left of centre political debate, where it belongs.