Funding the Future

Will there be VAT increases to pay for corporation tax ...

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I have heard rumour that the Treasury is working hard on possible tax reforms.

The rumour suggests that the 'postponed' cut in the corporation tax rate is no longer postponed: that lasted as long as the election campaign.

But the logic of fiscal neutrality will, apparently survive, so the billions that cutting corporation tax will cost will have to be found. And rumour suggests that VAT may well be what is being looked at.

Johnson did, however, say there would be no increase in VAT, income tax or NIC on his watch. It's a bit early to break that commitment. So what might be done? I suggest that the exemptions, allowances and reliefs are up for grabs.

The allowances look like this:

Exceptions apply to domestic rents, private education, private medicine, funerals and some other more minor areas, none of which look as though they would appeal to Tories.

So where will the £6 billion of funding for the NHS that postponing the corporation tax cut supposedly provided come from?

Watch out for books and newspapers, children's clothes, an increase in the VAT on domestic fuel and power (a green measure, it will be called) and the addition of VAT at the same rate as fuel on water, I suggest.

I would not expect a move on food, as yet.

I stress, this is all a rumour. But it would completely fit Tory logic. And it is, of course deeply regressive. Which also completely fits Tory logic.

Nothing should be ruled out at present.