

It is time that the tax and accounting profession under...

Published: January 13, 2026, 12:56 am

Just before I [joined the meeting of the Tax Coop](#) in Montreal last night to talk about tax ethics I was sent the Association of Accounting Technicians (AAT) submission to Parliament on Tax and Coronavirus. I should stress, they sent it themselves: this could not come from a disgruntled member.

It was a stark reminder of a point I made in my talk last night, when I said:

It really is time that we understood the real role of tax within the macroeconomy of the countries of which we are a part, so that we can truly understand the way in which tax systems might have to adapt to the crisis we face so that the most vulnerable, in particular, in our societies can be supported. I suggest that every professional institute should now be providing teaching on this issue and that it should be on every professional syllabus for examination study.

That is because the AAT recommended this:



3. [AAT response to the consultation document](#)

3.1. **Income Tax & NICs**

- 3.2. Increases to income tax are a sensitive issue, not least because of manifesto commitments not to increase them, but they raise substantial sums of money quickly and are difficult to evade.
- 3.3. Increases on the higher tax rates of 40% and 45% will raise only minimal sums of money so increasing the basic rate (which is of course paid by all higher rate taxpayers too) is probably the most economically efficient option⁵.
- 3.4. Rather than a permanent increase, a temporary increase that reduces over time has the attraction of providing taxpayer certainty; reassurance that any relative pain will be short lived and that the tax raised is for a specific reason – helping to pay for Coronavirus impacts.
- 3.5. In light of the above, AAT proposes:
 - Increasing income tax to 22% for 2021-2022, 2022-2023 and 2023-2024 raising £28.2bn (£9.4bn per annum)⁶
 - Reducing income tax to 21% in 2024-2025 and 2025-2026 raising an extra £9.4bn (£4.7bn per annum) compared to current levels⁷
 - Returning income tax levels to 20% in 2025-2026
- 3.6. In relation to National Insurance Contributions (NICs) AAT proposes permanently ending the NICs exemption for those in receipt of the state pension (1.2m pensioners are in employment and paying no NICs), which would raise over £1.5bn annually. There is little justification for maintaining this exemption.
- 3.7. With regard to the so-called "three-person problem" AAT firmly believes that if someone is undertaking similar, sometimes identical work, then whether that person is employed, self-employed or employed through a company, there is no reason why each of those individuals should not pay the same rate of tax and NICs.
- 3.8. The same is true of work that varies because there is no real justification for a different tax burden on the same money earned. For example, why should a self-employed plumber earning £30,000 per annum pay less tax/NICs overall than an administrative employee earning the same sum?
- 3.9. One defence often put forward for the current gap in NIC rates between the employed and self-employed, relates to state benefit entitlement. Yet the introduction of the flat-rate, single-tier state pension in 2016 ended the only sizeable difference in benefit eligibility between the employed and self-employed. Besides, employment rights from holiday pay to the minimum wage, are paid for in full by the employer, not by the state to whom tax is paid, a point often missed by defenders of the status quo.
- 3.10. As a result, AAT recommends that NICs for the self-employed (currently 9%) should be increased to the same rate as that paid by the employed (12%). As well as solving the so called three-person problem, this would raise £3bn+ per annum.
- 3.11. These proposed changes to income tax and NICs would raise over £60bn in total for the five year period 2021-2026, approximately 15% of the likely £400bn Coronavirus bill for the UK taxpayer.

In other words, in the face of a massive potential economic crisis that will be created, above all else, by a shortage of demand, the AAT is suggesting that people have their capacity to spend reduced.

What is more, they are demanding that this reduction in the capacity to spend be imposed right across the board, including on pensioners, so that those with the highest marginal propensity to consume and so have the greatest chance of ensuring that demand continues, are impacted, if anything, the most. In Keynesian macroeconomic terms, the AAT is, then, demanding a policy of austerity at the time when this is bound to increase the rate of corporate failures and increase unemployment. It is hard to imagine anything more destructive for the interests of their members, or society at large, that the AAT could demand.

I rest my case that it really is time that the professional tax and accounting institutes should begin to learn about tax in a macroeconomic environment. It is very clear that they do not understand it at present.