Funding the Future

Yesterday's tax plans were all about capturing tax re...

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Given that much of yesterday's Tory tax plan was well-trailed and had been subject to comment here beforehand there would seem little left to say on that issue now that the announcement has been made. Except, that is, to consider how it was announced and why it happened in that way, and the one unexpected element, which was an increase in the dividend tax rate by 1.25%.

Dealing with the latter first, this should be seen for what it is. It is a sop to criticism. It supposedly addresses the issue of national insurance avoidance by those who pay themselves using dividends from limited companies. I have no particular problem with tackling that issue, but there is a flaw. The implication is that genuine investment income - the dividends received in ISAs and by savings institutions, interest and rents - should all remain exempt from this charge. Implicit in this move was another attack on working people as a consequence, with the very obvious intention being that genuine wealth should be untouched by the demand that it contribute to society. The bias could not be clearer.

Then there is the way in which the announcement was made. It was deeply partisan. Rishi Sunak took much pleasure in announcing that he was imposing a tax on Scotland, Wales and Northern Ireland. It is apparent that they were not consulted.

The claim was that there was no alternative to raising tax was also wrong. As I noted yesterday, there is a substantial government underspend against budget already this year, whilst all deficits are being covered by the Bank of England quantitative easing as a matter of fact without inflation risk arising as a result, and so that claim was completely untrue.

As for there being no tax alternatives, that was also incorrect. I have shown that making NIC a more progressive tax could raise £14 billion a year, which is all that was required.

Capital gains tax could raise maybe £9 billion a year if rates were the same as income tax. The capital gains tax allowance could also have been reduced.

An investment income surcharge could raise maybe £7 billion a year.

And if the tax reliefs on pensions and gifts to charities were restricted to basic rate tax more than the required sum to supposedly meet this need could have been raised.

So, even using the Tory logic that tax funds spending (which is untrue) there were ample opportunities available. But they were not chosen. And that is indication of their true intention.

As I have noted this morning the most plausible interpretation of that intention is to capture yet more tax revenue for private gain. That must be the case because it is not clear that these tax increases were needed and in the case of social care at least it is not at all clear that there will be any on the ground impact arising from them. In that case it is entirely reasonable to look for the real motive for yesterday's action and if one that is entirely consistent with their other actions in other areas can be found - and flooding wealth upwards has been the whole aim of the Johnson government - then it is reasonable to conclude that it reflects policy.

The regressive nature of the plans for social care and NHS funding are not, then, accident. They are by design. And that is what is so troubling about them. We have a government that in the middle of crisis is only concerned with the self-interest of a few. That's becoming increasingly obvious. I just hope the electorate realise.