

# A note to the Tories: the tax cuts you want will not sa...

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Reports in the Guardian this morning suggest that ministers and other Tories are demanding tax cuts as the price of their support for Johnson, and as their remedy for the cost of living crisis. They echo the Adam Smith Institute in making the demand, apparently.

It so happens that I too want tax cuts right now. But thereafter the common ground disappears.

My desire is for tax cuts on fuel and energy duty and on related VAT charges to bring down the actual cost of these items at present. The aim should be that the Treasury take no more in tax from these sources than it did in 2020. That protects the green agenda but by cutting absolute prices to business and consumers now three goals are achieved.

First, all business gets immediate support, and so far most small and medium sized entities are getting none right now, so this would be of direct help to them in their struggle to survive.

Second, the inflation rate is reduced at source by this move, reducing the pressure for wage rises and inflationary price increases in other sectors. The spillover effect of increasing fuel prices is reduced as a result, making recovery much easier.

Third, those in fuel poverty are helped most, meaning this is targeted.

Vitally, given that this would be delivered as a cap with duties bearing the bill of the cuts, this can be delivered quickly. As everyone knows, fuel duties can change within hours of a budget. But essentially, a sunset clause for this arrangement would also be automatically built in. When prices fall, as they will, the arrangement will cease. The arrangement would work in that case when nothing else can.

I have only one other immediate tax reform that is needed, which is increased tax on those well off as they still have the means to drive inflation and are doing so, as second hand car prices indicate.

The Tories meanwhile demand reduced income taxes and reduced corporation taxes. Neither can happen now. Neither help those in most need. Neither tackles the cause of inflation. Both most benefit the best off.

Corporation tax cuts have so far not stimulated the economy: in fact the Sunak super deduction for business investment has so far resulted in a decline in business investment.

And, most bizarrely, there is also a demand for a cut in inheritance tax, as if that helps the 93% or so if the estates of dead people that will never suffer the charge.

The Tory demand is then the usual suggestion that if only the richer were made richer all would be well in the world. Mine tackles the issue.

And where is Labour? Who knows? After the Tories stole the windfall tax, which has already been forgotten by voters, it appears to have nothing to say.

The Tories continue to act only for the rich. Labour continues saying nothing of consequence (and I do know about their VAT cut proposal, but it is inadequately thought through).

Meanwhile, the cost of living rises, nothing is stopping the threat to the viability of many employers, and the risk of ever deepening recession grows by the day.