

Next steps on tax for the Tories

By Brooks Newmark MP and Charlie Elphicke

Tax cuts of £21 Billion were proposed by the [Tax Reform Commission](#) last week. The proposals represent one of the most radical tax shake ups in history. However, Shadow Chancellor George Osborne is right when he says that economic stability must come first.

Yet, those who worry about whether we have gone soft on taxes should draw comfort from the fact that George Osborne has made it clear that he does believe in cutting taxes, when affordable. And quite right too as all this tax is not holding back our pockets and our choices - it is slowing the future growth and prosperity of our nation.

As has been commented on this web site before, what happens with the deficit in the public finances and the scale of public spending is going to be critical, but would obviously be a premature debate at this stage. So the Commission cannot be seen as a ready-made agenda to be taken off the shelf, dusted down and implemented in 2009. For that would result in an unfunded mandate and would run counter to Shadow Chancellor George Osborne's quite proper determination not to be reckless with the public finances.

The Commission report is best seen as an expression of priorities to be engaged in as and when affordable by a Shadow Chancellor that does believe in lowering taxes when possible.

Yet the Commission report does not cover all of the important priorities. Partly because it was only asked to consider taxes on income. There are further priorities that should be considered and there is further work to do for our Party to do if we are to be seen as truly innovative and radical on the future of taxation.

Key points that need further work are:

- Help for the least well off. The Commission only looked at income taxes. It did not consider indirect taxes that are charged on beer, fags, fuel, VAT or Council Tax. These hit hardest the old and the least well off in our communities. The latest figures (2004/05) show that the poorest fifth in today's Britain pay £1,030 in income taxes, but £2,860 in indirect taxes. If as Conservatives we are to show we have really changed and really are compassionate, the further review should look closely at the problems of the least well off with indirect (i.e. stealth) taxes;
- Help for pensioners. Pensioners as a group do not benefit greatly from the Commission proposals, as age related allowances are to be scrapped. Pensioners, who make up half of the people who actually vote, have been repeatedly attacked by the Labour Government and badly need our help. The hated Council Tax averages £927 a year for pensioners. This is 5.4% of pensioners' income. Meanwhile it amounts to only 2.4% of the income of working people. This is a real problem and needs to be looked at urgently; and

- Making Britain independent and strong. A key step should be to halve business taxes to 15%. This will attract much more investment and jobs and our economic growth would rocket. So we would all be much richer. The Tax Commission puts a price tag of £8 Billion on this kind of reform. We must however seriously question this number. For evidence from other countries shows that this reform costs may cost nothing as it is likely to pay for itself. This is the one serious and far reaching reform that may help the success and businesses and therefore our prosperity on the one hand, yet fit within the spirit of stability. It is a real shame that the Commission sold the pass on the costings here and rejected the Laffer curve analysis more generally. We do not believe this analysis is correct. We therefore hope that further work will be done to look more closely at the costings and see if this is a reform that could start to be put into effect from 2009.

We all know Labour has taxed us all to death while schools and hospitals seem little better. Yet winning the next election will be no cakewalk. To win the next election, we absolutely have to show that we will do better than Labour. How the tax burden is shared out and what our priorities will be is a key area.

We need to convince the voters that we are the go-to party for the poorest, the party for prosperity and the party for pensioners. The Tax Commission is a great start. But it is only a start. As they say, much done, but much more to do. As a party we need to be bold and we need to be thoughtful if we are to really inspire the voters at the next election.

We are now on the right track - so we hope that this web-site and fellow bloggers will do all they can to encourage the Conservative leadership to keep trucking and continue to develop the tax debate.