One year on

General Features



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Mel Stride, Financial Secretary to the Treasury, looks at the achievements and challenges of the past year

It has now been a year since I was appointed Financial Secretary to the Treasury and Paymaster General. Since then, I have immersed myself in the tax system and policy-making process, and I wanted to outline the significant tax changes we have seen this year.

My first job in the role was to take the 2017 Finance Bill through Parliament.

Standing at no less than 770 pages, this was something of a baptism of fire. Thanks to the hard work, dedication and professionalism of my team in the Treasury, it is now firmly on the statute book.

Before I knew it, we were back into the swing of another Budget and another (albeit much shorter) Finance Bill.

Although many will raise understandable concerns about the volume of tax legislation, we should not overlook the important measures that have been brought in. These have included:

- Increasing the R&D expenditure credit from 11% to 12%, to stimulate investment in our most promising companies who are developing the technologies needed for the future;
- Legislating for SDLT relief for first-time buyers on properties up to £300,000, and for the first £300,000 of a property up to £500,000 to get even more people on the property ladder and restore the dream of home ownership; and
- Increasing investment limits under the venture capital schemes to channel investment into our most innovative companies. Knowledge-intensive companies will have their lifetime investment limit through the EIS & SEIS schemes doubled from £5 million to £10 million.

For the next Autumn Budget, I will have an eye firmly on the cumulative weight of the tax code and potential increased complexity.

I see the overarching purpose behind making tax legislation as two-pronged: firstly, the tax system must be one that supports businesses, and secondly, it must support businesses to pay their tax to fund the public services on which we all rely, like our NHS.

Firstly, on supporting businesses, I fundamentally believe that the tax system should bolster investment, jobs and growth not through gimmicks but through an active policy agenda.

The tax system can be put to use as an intelligent tool and a useful incentive – a way to ease the burden. We are doing that where we can such as taking about £2.3 billion out of the business rates burden by bringing forward the change in indexation from RPI to CPI by two years.

And the tax system has been instrumental in helping this Government deliver the biggest increase in R&D investment for 40 years. We are on the way to raise levels of investment in R&D to 2.4% of GDP by 2027.

Secondly, although we are committed to keeping taxes as low as possible, taxes must be paid, and the rules must be followed. Tax forms the bedrock of our vital public services and it sits at the heart of our dynamic, liberal economy.

Recognising this, the Government has taken unprecedented action to make sure people pay their fair share of tax, and to date we have secured over £175 billion in additional revenue by tackling tax avoidance, evasion and compliance.

I am always looking for ways to strike the right balance between the necessary legislation to ensure the tax system is fair, simple and competitive, and ensuring that the right amount is paid.

One of those ways is considering how we can best support the development of the digital economy whilst ensuring that it shoulders a fair tax burden.

The UK remains a leading voice in international fora on this issue and is at the forefront of the BEPS project. This challenge demands first and foremost an international solution because the concept of user-created value is not recognised under the existing international corporate tax rules, and the potential mismatch risks creating unfair outcomes.

We know that any measure addressing this issue should be proportionate to the nature of the problem, and scoped carefully.

To do this, we need to work with expert stakeholders in the tax community. With the creative minds in the Treasury supported by the thought leadership of the tax industry, together we can find the right solutions to policy challenges – solutions that fix the problems, but also unlock investment and drive growth.

That is one of the reasons why we committed to the single fiscal event which was a key ask of the industry and business. It will provide certainty and stability to the tax system, and bring us on par with other major advanced economies. We have now been through one cycle, with the first Autumn Budget last November and the first Spring Statement in March.

With more time between fiscal events, we can think and plan strategically about the future direction of the tax system together.

The tax system is often perceived as a blunt instrument to fix policy problems but it is not always the right lever, so we must be prepared to stand firm and avoid

creating unnecessary complexity.

As I reflect on my first year in the tax world, I have learnt that stability, simplicity and certainty in the tax system matters.

We have accomplished much but there is more to do, particularly at this watershed moment in our country’s history. It is vitally important that we remain the home of aspiration and a place where our people and our businesses can thrive.

It is only by working together that we can seize the opportunities that Brexit presents, and craft a tax system that is fit for the future. I hope together we can build on our strong foundations ahead of the Autumn Budget and beyond.