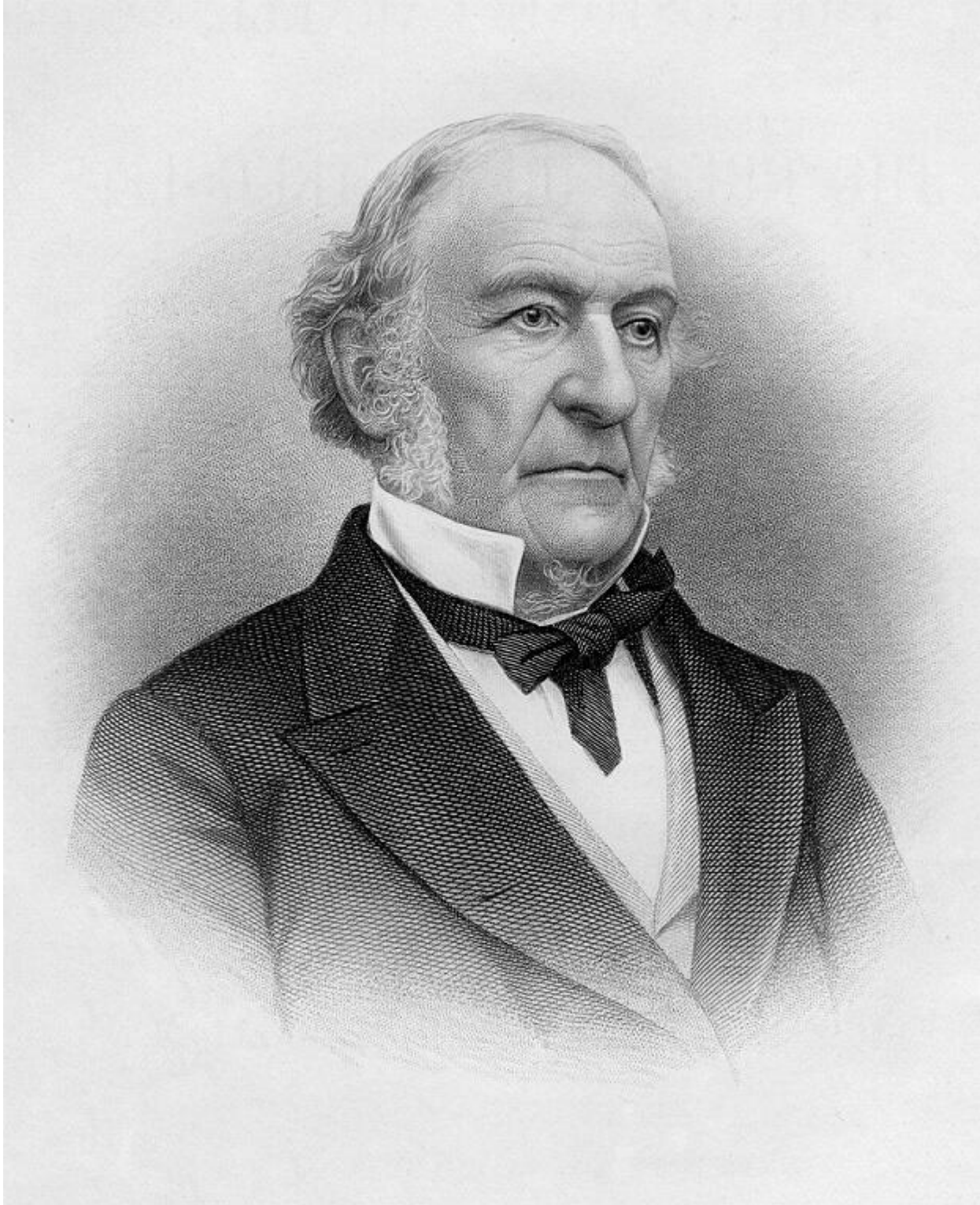


Permanently temporary

General Features



01 August 2015

Helen Thornley reflects on Gladstone's Budget of 1853

'Under this proposal, on the 5th April 1860, the income tax will expire.' These are the words of William Gladstone in 1853 from his first budget. A dominant force in Victorian politics, he still holds the record for the most budget speeches by a chancellor, making 12 over a 60-year career in politics. He held the office four times.

Such forward planning was unusual at the time, and Gladstone explained his thoughts at length. Fortified by sherry and beaten egg, his first Budget speech lasted four hours and 45 minutes, and is usually remembered as the longest one without a break – though he did apologise for this. His great rival, Benjamin Disraeli, had spoken for longer the previous year, but he included an interval.

Sherry and beaten egg aside, Gladstone's stamina was doubtless bolstered by his hobby of felling trees. His other hobby was walking the streets of London to find fallen women and persuade them to change their ways.

On that day in 1853 he was able to range widely – from military expenditure to duties on dogs and musical instruments. But his main theme was how to tackle the tricky question of income tax.

For a Budget given more than 160 years ago, you might expect it to have little in common with present discussions of income tax. But covering topics from whether 'the foreigner' should be subject to income tax, popular with the public, but not with MPs, to public concerns over equality and issues of fraud, Gladstone's concerns are surprisingly familiar.

One area he covered in depth was the point at which the tax should start to bite; a familiar theme today. Increasing the personal allowance was a key policy of our previous, coalition, government and we have been promised further rises to lift minimum wage earners out of income tax.

In 1853, incomes of less than £150 a year were exempt, so most people were unaffected by the tax. Gladstone wanted to extend the franchise of income tax by reducing the exemption to £100. He didn't want to lower it so much it would 'trench on labour', but he did want to increase the number of people who paid the tax. He believed this would increase the number of people who would, in due course, vote for its repeal.

It is the concept that the tax was temporary and could realistically be repealed where differences to today's views emerge.

Gladstone's view was that it was 'perfectly plain' that income tax was unsuitable as a long-term source of government revenue. This attitude made him reluctant to tinker with it too much. The tax system was 'vast and complicated', and it had its faults, but Gladstone felt strongly that it was impossible to reach fairness with further exceptions. To his mind, each new exemption created three or four more inequalities that combined to weaken the overall system. He preferred to accept the known inequalities and look to abolish income tax instead.

For Gladstone, income tax was at its heart a war tax, 'a mighty engine ... for the defence and the salvation of the country'. It had been introduced by William Pitt the Younger in 1799–1800 to fund war with France. It was repealed in 1802 after the Treaty of Amiens, but was revived in 1803 when hostilities resumed. It was repealed again in 1816 after Napoleon had been sent packing again, at Waterloo. Then it lay dormant until 1842 when Sir Robert Peel brought it back in peacetime.

We no longer consider income tax a temporary arrangement, making up as it does about one-third of government revenue. But it does retain that character of impermanence as an annual tax that must be reinstated each year.

When Gladstone rose for his 1860 Budget, he was not able to repeal the tax due to the costs of the Crimean war. In fact, he had to put the rate up from 7d to 10d in the pound – roughly from 3% to 4%. He tried again in 1874, standing in the general election on the platform of income tax repeal, but lost to Benjamin Disraeli.

Although income tax defeated him in the end, Gladstone did manage to finish off some taxes in 1853. He repealed the duties on 123 items as part of a shift away from expenditure. He also wiped away the much-hated soap duty.