Conferences in the clouds

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29 October 2020

George Crozier reviews the 2020 party conferences, which took an unusual turn this year

Party conference season had a very different look and feel this year, as Labour, the Liberal Democrats and the Conservatives all went online, adapting their annual gatherings to the new normal of the coronavirus pandemic. Keynote speeches and fringe programmes survived largely intact but, Lib Dems aside, it was much harder for ordinary members and activists to make their voices heard this year, with policy

discussions curtailed and little opportunity to network with parliamentarians.

Labour

Labour's online 'alternative to a conference' saw discussion on taxing wealth, business taxes and job protection programmes, but little in the way of policy development, as the new leadership plays it safe and focuses its efforts on holding the government to account.

On tax the immediate message is that there should be no increase while the economy is in its current, weakened state. Will a time come for tax rises? Plenty of people at the conference thought so, but Labour frontbenchers were conspicuously not among them. Beyond a general commitment to fairer/more progressive taxation (which of course need not automatically be higher), the current Labour leadership is keeping its tax options open.

Nevertheless, in due course higher earners probably would have to pay more under a Keir Starmer-led government. During the leadership election, Starmer made a campaign pledge to: 'Increase income tax for the top 5% of earners, reverse the Tories' cuts in corporation tax and clamp down on tax avoidance, particularly of large corporations.' While it was not widely discussed at the conference, Labour does appear to be giving serious consideration to the adoption of a 'wealth tax' as party policy. The new shadow chancellor, Anneliese Dodds, said in July that this was an area the government should look at.

On business taxation, as well as reversing cuts in corporation tax Labour continues to strongly back the digital services tax. Business rates need 'fundamental reform' to create a regime that can deliver both fairness for business and a sustainable revenue stream for local government, the party argues (without providing any detailed prescription).

Additionally, Labour continues to place a strong emphasis on ethical behaviour by business, such as making coronavirus economic support conditional on good tax practice, fair working conditions and a commitment to tackling climate change. While open to equalising tax between the employed and self-employed, Dodds suggested at the conference that this had to be conditional on self-employed people gaining equal rights and conditions to the employed.

The 2017 and 2019 general elections presented voters with vastly different choices on tax and the economy. The next election, when it comes, is likely to be fought more on the battleground of competence than that of ideology, if the new Labour leadership get their way. Spending better, rather than simply spending more, is the new mantra. Illustrative of this was Dodds' accusation, in her keynote speech, that the government had 'wasted enormous amounts of public money' in its approach to the pandemic. This emphasis on tackling waste is intended to reassure voters that Labour can be trusted to manage the country's finances effectively. The absence of this trust was identified by pollster Deborah Mattinson, at a fringe event, as one of 'the five reasons Labour lost the red wall'.

Liberal Democrats

The Lib Dems' online gathering made by far the greatest effort of the three to involve party members, with a full programme of policy debates and votes and an innovative networking facility. Text chats open to all (always lively, occasionally overwhelming) ran alongside all events, both plenary sessions and on the fringe.

The conference was a launch pad for the party's new leader. While Sir Ed Davey has an economic policy background, the conference saw relatively little economic policy development – the notable exception being the adoption of policy supporting a universal basic income (UBI).

Members backed a UBI by a margin of nearly three to one (715 to 250). The motion passed is fairly unprescriptive, committing the party to campaign for a UBI paid to all long-term UK residents, funded in a 'socially just and equitable manner', implemented based on the best available international evidence. It sets the party's Federal Policy Committee the job of working out the details. These 'details', which include the level at which the payment would be set, are obviously quite substantial. There is also the question of how a UBI would be paid for. It would almost certainly entail some tax rises, at the very least to claw back the payment from those deemed not to need it. Davey has another idea as well – a sovereign wealth fund, holding stakes in businesses which choose to pay back their coronavirus support loans with shares.

On tax, the Lib Dems are part of the current consensus which says that it would be unwise to raise taxes while the economy remains so weak. But the party does see tax rises down the road, perhaps before the end of this Parliament. Davey trailed his

economic plans in only the broadest terms during the conference, but he was more expansive during a leadership hustings in July, saying tax rises need to be considered ‘in a year or two’ to finance a big increase in spending on public services, alongside tax reforms, in particular to rebalance between small business and multinationals.

Which taxes should rise? Broadly, Davey continues to stand behind the policies in the party’s manifesto from last year (unsurprising given his role in pulling them together). These include higher income tax and capital gains tax, and a number of measures to get more tax out of large multinationals, especially the tech giants. Additionally, the Federal Policy Committee is carrying out analysis of how a carbon tax might work, and will bring proposals on this to a future conference.

Conservatives

All governments contain contradictions but the current one, partly by design but mostly by circumstance, contains more than most. A Prime Minister whose trademark is optimism presides over a pandemic and perhaps the gloomiest economic outlook ever in peacetime Britain. A party that traditionally champions limited government has found itself implementing massive state intervention in the economy and people’s lives. A government elected on the promise of a low tax economy looks likely to find itself bringing in – eventually – some of the most swingeing tax increases in living memory.

The keynote conference speeches of Chancellor Rishi Sunak and Prime Minister Boris Johnson embodied these seeming contradictions. Sunak’s brief oration was largely a defence of how big government could be good government. While it did feature the usual praise of free enterprise, he spent much longer setting out how the government had intervened powerfully to deal with the economic impact of Covid-19. He pledged he would ‘balance the books’ but did not say how or when. The Prime Minister, meanwhile, kept his eyes trained on the sunlit uplands, setting out a vision of the UK in 2030 full of electric vehicle (EV) digital taxis and home-owning millennials, rich in skills and revelling in a start-up, can-do society.

Of course, the unprecedented (for peacetime) state intervention in the economy is a product of the pandemic. But even before the pandemic struck, this was an atypical Conservative administration, focused at least as much on spending more – on infrastructure and public services – as on tax cuts. Notwithstanding the existence of

a vocal strand of conservative opinion which argues for a ‘tax cuts = growth = tax revenue’ approach to deficit reduction, observers are pretty much unanimous in their expectation that tax rises will bear the lion’s share of the strain of balancing the books.

Where will those tax rises fall? Last year’s Conservative manifesto contained a ‘guarantee’ not to raise the rate of income tax, VAT or National Insurance. This ‘tax triple lock’ will probably survive, but if it is to be unpicked the likeliest breach is on NI rates for the self-employed. This was trailed by Sunak when he announced the Self-Employment Income Support Scheme in March, telling MPs: ‘It is now much harder to justify the inconsistent contributions between people of different employment statuses.’

A leaked Treasury paper reported in the media in August contained a series of options drawn up by Treasury officials for a possible autumn Budget. These included an online sales tax, scrapping higher rate tax relief on pension contributions, increasing corporation tax, aligning capital gains tax with income tax and ‘simplifying’ the inheritance tax system.

Of course, it is one thing for officials to work up an option and quite another for ministers to adopt it. However, it is noteworthy that while the leaked options were dismissed as ‘nonsense speculation’ by the Treasury (a classic example of a ‘non-denial denial’), The Times reported during the conference that, while Rishi Sunak ‘supported maintaining the tax triple lock... he is not ruling out other tax rises, such as increases in capital gains tax, corporation tax or cuts to pensions tax relief for higher earners’.

The online sales tax is one of the proposals put forward in the government’s ongoing ‘fundamental review’ of business rates. Also being floated as part of the review is replacing business rates with a capital values tax on the combined capital value of non-domestic land and property. The possibility of a UK carbon tax was also discussed at a number of conference meetings, mostly positively (though most advocates wanted other taxes scrapped or cut with the proceeds). According to a Times article, the government is looking seriously at it and the proposal has the backing of the Treasury. A decision is expected in December.

So, in conclusion, this was a party conference season like no other. Not just in the cloud, but in the fog of a future fiscal environment where even the near future is

more or less unforeseeable. Economics as normal is on hold, but when it re-emerges there will be an awful lot of heavy lifting for the tax system to do.

Longer reports on all three party conferences can be read on the CIOT blog (www.tax.org.uk/media-centre/blog). A report on the SNP conference will be posted after it takes place in late November.