The 2022 party conferences: a bloody battleground

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We review the 2022 party conferences, where it seems that the bloodiest battles are those taking place internally.

Honeymoon (noun): A holiday or trip taken by a newly married couple. Or any early harmonious period in a relationship, especially the first month.

Is Birmingham a good place for a honeymoon? It has culture, history, 35 miles of canals (that's more than Venice) and a fine (if tricky to navigate) convention centre with a stunning Symphony Hall. It is not – contrary to the words of one young Conservative on social media – a 'dump'. But for new Prime Minister Liz Truss and her government – in place for less than four weeks when they arrived in England's second city for their party conference in early October – it was, perhaps, not the loved-up long weekend they might have hoped for, and the noises that emerged were anything but harmonic.

The announcement nine days earlier of the biggest package of tax cuts from a UK government in half a century was designed to cheer supporters, lift national spirits and kickstart economic growth, but it didn't quite turn out like that, as markets panicked, the pound slumped and even public opinion gave the strategy of 'borrowing for tax cuts' a resounding thumbs down.

In these unpropitious circumstances, the PM and her then Chancellor sought valiantly – but mostly vainly – to persuade party, pundits and public – not to mention the bond and currency traders – that the government's fiscal plans added up and would in due course deliver a low tax, low regulation, high growth land of milk and honey.

But first to the 'anti-growth coalition' – or as they are known outside government circles, the opposition parties. The first conference of the season is usually the Liberal Democrats. After two years of meeting online the party was looking forward to gathering together again in Brighton to discuss topics such as whether to cut VAT for a year as a temporary stimulus, and what approach to take to a universal basic income. Sadly, the timing of the Queen's death and funeral meant the conference was cancelled and we will have to wait till next year for these deliberations.

Labour in Liverpool: tax cuts for the many not the few

This meant that Labour's gathering in Liverpool was the first of the season. Beginning just 48 hours after the mini-Budget, the party might easily have been nonplussed by the need to react so quickly to so much new fiscal policy – and to be fair there was some brief uncertainty about its stance on the income tax basic rate cut. However, they soon united around a position of support for tax cuts for 'ordinary people' and opposition to those for big business and the rich.

This meant backing the reversal of the national insurance increase, and repeal of the health and social care levy, as well as the bringing forward of the cut in the basic rate. Explaining Labour's support for these measures, party leader Sir Keir Starmer told the BBC he had long made the argument that we should reduce the tax burden on working people. At a CIOT/Institute of Fiscal Studies (IFS) fringe debate, James Murray, Shadow Financial Secretary, said that increasing national insurance had been misguided because it hit working people and businesses creating jobs.

However, Labour strongly opposed the scrapping of the 45p additional rate of income tax and was explicit that it would reinstate it, spending the money raised on more NHS staff and free school breakfast clubs. The other mini-Budget tax ‘cut’ opposed by Labour was the decision to keep corporation tax at 19%. Party leaders were less clear, though, about whether a future Labour government would have reinstated the planned increase. Shadow Chancellor Rachel Reeves told delegates the rate of corporation tax was not a priority for businesses, suggesting they were keener on properly targeted investment allowances.

The cost of living crisis continues to be the dominant domestic political issue of this year. Labour drew contrasts with the Conservatives over both the amount of help they would provide and how it would be paid for. Speaking at the CIOT/IFS debate, which focused on this issue, James Murray said it was inexcusable for the government to not look at extending the windfall tax to pay for the energy price guarantee, as opposed to paying for it through borrowing.

Rachel Reeves told a fringe meeting organised by the Federation of Small Business that Labour will move forward on tax reform with three key pillars determining their approach: tax fairness, tax efficiency and shifting the burden of business tax. She lamented the UK’s ‘overcomplicated’ tax system.

Labour do not support the cut to stamp duty land tax, believing it offers poor value for money. However, they are keen to ‘abolish’ business rates. They would be replaced with a ‘fairer system’ which would ‘incentivise investment and level the playing field between high street businesses and global giants’, with businesses getting revaluation discounts straight away.

Keir Starmer confirmed during the conference that Labour is looking at how different forms of income are taxed, but he rejected suggestions that he wanted to impose a wealth tax. He told a radio interviewer: ‘I am looking at whether and how we tax all different forms of income. Some people obviously earn their income through a wage, other people earn it through stocks and shares and dividends, and we are looking at what is a fair way to tax all income wherever it comes from.’

Labour repeated its commitment to replace ‘non-dom’ taxpayer status with a shorter-term scheme for temporary residents. At a fringe event, James Murray said the current regime discourages growth because it puts non-doms off bringing their money to the UK. He also confirmed that Labour is continuing work on tax reliefs,

focusing on whether they are fair, value for money and contribute to economic growth. Asked about abolishing the Office of Tax Simplification, Murray wondered somewhat incredulously whether the government thought its job was complete. Asked about reform of employment taxes, he used the now well-established formula that Labour want ‘those with the broadest shoulders’ to pay higher taxes, rather than ordinary working people.

Conservatives in Birmingham: growth message overshadowed by mini-Budget fallout

And so, four days later, to Birmingham, where the media agenda was dominated by the plan for tax cuts, and in particular the proposal to scrap the 45p rate. The policy was defended by senior ministers right up to the point when it was ditched, with the Prime Minister telling the BBC it was a simplification and Chief Secretary to the Treasury Chris Philp saying at a fringe meeting that when the top rate was cut from 50p to 45p it raised no less money.

But opposition was growing, and widespread. Even some broadly supportive of the government’s economic approach felt that the proposal was wrong at this time, even if it was desirable at some point. And so, at 7pm on day one of the conference, senior backbencher Graham Brady warned the Prime Minister that she did not have a majority for the measure. The PM summoned her Chancellor, Kwasi Kwarteng, for crisis talks, and the decision was taken. Announcing it the following morning, the Chancellor explained that the proposal had been ‘drowning out a strong package’ so it had to go. So, it turned out less than two weeks later, did he, along with most of the rest of the package.

While ditching the 45p rate was widely supported at the conference, most of the other measures in The Growth Plan – including the tax measures – continued to receive favourable reactions. The spiking of the national insurance rise, axing of the planned levy to fund health and social care and bringing forward of the (now abandoned, of course) income tax basic rate cut all received rave reviews at the conference, as did the IR35 changes and keeping corporation tax at 19% (both also now dumped). What criticism there was was mostly over the manner of their introduction – too much, too fast, and with insufficient pitch rolling, was the general analysis.

Notwithstanding this, there was plenty of excitement at the conference over which other tax cuts might come along in due course. The context for this was set by a ‘wholesale review of the tax system’ the government is undertaking. According to The Growth Plan, the review will identify ways ‘to make the tax system simpler, better for families and more pro-growth’ and we will hear the results next year. Prior to the conference, newspaper reports suggested high marginal rates of tax for higher earners would be a central focus of this review, with the high income child benefit charge, the withdrawal of the income tax personal allowance over £100,000, and pensions lifetime and annual allowances all being looked at. The first two of these could go, according to the Sunday Telegraph.

Former Public Accounts Committee member Richard Holden MP was among those at the conference arguing that areas like these need addressing.

The reference to making the tax system ‘better for families’ probably relates to the review Liz Truss promised during the summer into the way families are taxed, ‘to ensure people aren’t penalised for taking time out to care for children/elderly relatives’. Reports suggest the idea is to make more or all of the income tax personal allowance transferable between members of couples. This might be restricted to those with caring responsibilities.

Inheritance tax is another area of the tax system Liz Truss promised to review. Andrew Griffith, the new City Minister, made headlines during the conference by revealing he would like to see it abolished. Former Party Treasurer Lord Spencer expressed the same view. There is no doubt many other Conservatives feel the same.

Given developments since The Growth Plan was published, there has to be some doubt over whether the ‘review of the tax system’ will ever see the light of day or, if it does, whether its outcomes will at all resemble those intended by its progenitors.

One measure which does look likely to survive the new Chancellor’s axe is the announcement that businesses with up to 500 employees will henceforth be defined as ‘small businesses’ for regulatory purposes and will thereby be exempt from some regulations and reporting requirements. It is not clear to what extent this change will affect eligibility for tax reliefs and incentives. Similarly, the plan for investment zones also looks set to survive. This *will* lead to lower taxes for businesses inside the zones. All local authorities are welcome to apply, ministers told the conference, but

it is clear that most successful bids are likely to be large brownfield sites in less prosperous areas.

SNP in Aberdeen: Grassroots urge progressive approach

The final conference of the season was the SNP gathering in Aberdeen. This was considerably calmer than the Conservative event, but SNP leaders still had questions to answer on tax policy. In particular, the UK government's decision to cut the basic rate of income tax to 19% presented them with a dilemma. Would they respond? If not, a central tenet of Scottish government tax policy – that some Scots are better off because of Scotland's more progressive income tax regime – would no longer hold true.

The UK government's policy change on the basic rate takes the immediate pressure off the Scottish Government on this, but the ongoing pressure from the SNP grassroots to use the policy levers at their disposal to take a more progressive approach remains.

At the conference, this was visible in the motion passed by party members calling for the abolition of income tax for those earning less than the living wage.

Further developments

What a different a week makes. Within seven days of the end of conference season the Chancellor had been fired and his replacement had consigned most of the government's tax plans to the dustbin. Not only was the government's approach turned on its head, key conference season dilemmas for the opposition parties – how would they respond to income tax cuts? would they increase corporation tax? – were rendered defunct.

The Conservative leadership contest over the summer was fought largely on the ground of fiscal policy. It showed that the greatest divide in the party is no longer between 'leavers' and 'remainers', but between fiscal traditionalists and radicals – call them the 'rads' and the 'trads'. The trads argued that tax cuts had to wait until the economy was back on track and they could be afforded. The rads said that without tax cuts the economy would not get back on track. The trads suggested the rads were fiscally irresponsible and risked crashing the economy. The rads accused the trads of being part of the 'Treasury orthodoxy' that has put us on the brink of

recession. The rads, in the form of Liz Truss, won the battle but, confronted by the big battalions of the bond markets, were forced to retreat and concede the war.

Recent weeks have perhaps been a lesson in the limits of tax policy in the modern age, learned the hard way. Where does it go from here? In all probability, whether or not there is a change of Prime Minister, we are moving into a period characterised by uncertainty, fractiousness and cobbled-together compromise. The art of the possible. Less grand planning à la Haussmann, more goose plucking à la Colbert.

On the opposition benches, hopeful Labour figures see these last weeks as the time when the mantle of economic trust may have shifted to their party. Opinion polls suggest they could be right. The Conservatives, meanwhile, face the challenge of convincing voters that, for all the bumps in the road, their plan remains the best route to growth and their opponents are obstacles to progress. Who will succeed? On this battleground the next election will likely be won and lost.

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