Party conference debates: Growth needed before tax cuts, say panels

Briefings



26 October 2023

Conservative debate panel: Lord Leigh of Hurley, Gary Ashford, Paul Johnson, Rhiannon Kinghall Were

The Chartered Institute of Taxation and Institute for Fiscal Studies once again held panel events at both the Conservative and Labour party conferences this autumn, focusing on the tax and public finance challenges facing Britain.

Our debate at the Conservative Party Conference in Manchester was chaired by Rhiannon Kinghall Were, Head of Tax Policy at law firm Macfarlanes. The panellists were CIOT president Gary Ashford, IFS director Paul Johnson and Lord Leigh of Hurley, Conservative Party senior treasurer and chair of the House of Lords Finance Bill Sub-Committee.

Johnson did not see much opportunity for tax cuts without ‘some pretty radical changes to the way we are spending money’ – but if he had the money, he would make the temporary rules around expensing permanent and abolish stamp duty land tax. He emphasised the need for long-term stability to allow taxpayers and businesses to plan ahead.

Lord Leigh backed the government’s approach on tax cuts, saying the state of public finances means they are currently unfeasible. He suggested that higher rates of council tax could be levied on luxury properties such as mansions and penthouses. Johnson agreed that some properties in the UK pay very little in property taxes compared to other countries like the US.

Gary Ashford said future tax cuts could come from closing the tax gap, with as much as 56% of that coming from small business. He added that the continued rise of technology will transform the way taxes are implemented and paid but could also give rise to greater avoidance and evasion.

At the Labour conference in Liverpool, Ashford chaired a panel which also included Paul Johnson, Ellen Milner, the CIOT’s Director of Public Policy, and James Murray MP, the Shadow Financial Secretary to the Treasury.

The shadow minister said growth is ‘front and centre’ of Labour’s plans if it wins the next general election, with the party also looking to replace business rates with a system which would support high street shops and ensure that multinational giants ‘pay their fair share’.

Johnson agreed that business rates ‘need reform’ and suggested instead a land value tax paid by the owner rather than the occupant of the property.

He said for ‘big changes’ to be made, the government may need to look at the three biggest revenue raisers – income tax, National Insurance and VAT. However, Ellen Milner warned that any substantial changes to these taxes would need ‘a really solid foundation’ as they bring in such a large proportion of the overall tax take. She added that almost half of the tax gap comes from ‘failure to take reasonable care and error – failing to get things right’ and said that addressing problems around complexity, digitalisation and HMRC service levels could help in this area.

As usual, audience questions were a key part of both events.

At the Conservatives debate, questioned on the potential abolition of non-dom tax advantages, Johnson said around a third of the highest-income people in the country were born abroad and they contribute a lot to the public purse, meaning any changes would be ‘risky’. Ashford agreed that the debate around abolishing non-dom status ‘needs to be a bit more nuanced’, as without a replacement, the UK would risk losing investment to other countries.

Lord Leigh told the audience that his committee has had ‘a good, hard look’ at R&D tax credits, while he also backed the digital services tax, OECD Inclusive Framework and the ‘tightening-up’ of VAT on goods.

At the Labour debate, Johnson criticised the ‘crazy’ system of personal tax rates and thresholds, adding that the UK is an ‘unusually unequal country in terms of income’. He said some of that is to do with the fact that our out-of-work benefits system is ‘pretty mean’, while a lot of it is to do with how the labour market works.

You can also read our full reports on the conference debates, and watch our recordings, at:

tinyurl.com/LabTax23

tinyurl.com/ConTax23

Image



Labour debate panel: James Murray, Paul Johnson, Gary Ashford, Ellen Milner