



Cut tax on the poor

MATTHEW ELLIOTT puts the case for drastically increasing the income tax threshold

It is a fundamental tenet of the TaxPayers' Alliance that the tax debate must always be about the impact of lower taxes and more efficient public services on ordinary people's lives. That is, after all, what we are working for - a better country where people are no longer driven to the brink by an unsustainable tax burden whilst schools fail to educate the young and hospitals fail to heal the sick.

Too often, politicians and pundits fall into the trap of talking about the public finances as if they existed in a vacuum - money that appears from nowhere and services that operate in some kind of virtual reality where failure can be shrugged off and forgotten. Sometimes that is simply down to the comfortable cocoon of the Westminster Village, but often politicians deliberately obscure the issue with cumbersome terminology and a flood of opaque statistics deliberately to bamboozle the public.

The reality, of course, is extremely serious for the real people who have to pay taxes and rely on our public services. Millions of people are pushed to the brink by the record tax burden, and millions more are let down by public services that have failed to improve despite a huge flood of cash.

I am of course an ardent support of the benefits of low taxes in terms of high economics, but we are not engaged in a purely philosophical struggle - if we are to lower the tax burden in this country we have to win the support of the public, and that means making clear the direct benefits to real people's lives.

It is for that reason that we should be looking at truly radical options on tax. Identifying waste in the public sector is important, but at the end of the day it is the fundamental structure of the public sector and the tax system which is misfiring and keeping tax so high.

One radical option would be to put an end to the costly chaos of the way we tax the poor. We should drastically raise the threshold for income tax, and take millions of low earners out of income tax entirely.

At the moment, if you earn more than £5,435 a year then you are forced to pay income tax. That means that as soon as you earn even a meagre wage, you will be taxed on your earnings. Someone who chooses to get off the dole and takes a low-paying job is almost immediately hit in the pocket and punished for their aspiration.

What kind of Government preaches endlessly about helping people to get out of poverty and then taxes them as soon as they try to earn a decent living? In effect, many of the poorest people in society are taxed and then given back a portion of their own money - once the bureaucrats and data-mislayers at HM Revenue and Customs have taken their cut, of course.

The message that sends out is that you may as well not bother working, if the only reward is being taxed. It is sheer hypocrisy to claim to empathise with people in poverty and then to punish them for having aspirations. The policy of taxing the poor and then trying to intervene with centralised "initiatives", bungled tax credits and an army of patronising social workers has failed - costing the taxpayer a bundle at the same time.

The misguided policies of Governments of all stripes have created a growing culture of welfare dependency, generations of people who have never had a job and see no benefit in doing so. Not only does that place an added burden on working taxpayers, it takes a swathe of people out of the workforce and contributes to the despair and nihilism that pervade our sink estates and underlies so much crime and delinquency.

By raising the threshold to, say, £10,000 we could remove a major hurdle on the way to productive work, and offer some hope for the people who are currently excluded from the mainstream economy and wider society. Giving people an incentive to work rather than penalising them will help the economy, relieve some of the benefits burden on taxpayers and give new hope to many people who currently have few opportunities and have been taught to abandon ambition.



It is a genuinely exciting idea with many economic and social benefits - the kind of radical shot in the arm the Government should have offered in their recent Budget, rather than the shuffling of deckchairs on the deck of the *Titanic* that we were presented with.

This is an idea with economic and social benefits, but there are strategic upsides too. All too often those who want lower taxes keep quiet for fear of being characterised as pushing tax breaks for the rich. This is an opportunity to neutralise that argument once and for all - lower taxes are not just good for the economy, they are a social force for good, too.

Faced with a rocky economic outlook, politicians should be taking drastic action to inject some life into the economy and bring into work the millions who are currently left to languish unproductively on benefits. Instead of abolishing the 10p tax band and increasing tax on the poor, as Brown and Darling have just tried to do, as a nation we should recognise the benefits of lowering taxes. Productive work is a good thing - let's encourage it, not penalise it.

Matthew Elliott

matthew.elliott@taxpayersalliance.com

Matthew Elliott is Chief Executive of the TaxPayers' Alliance, which campaigns for better services and lower taxes.

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