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Careful, Darling [1]

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I'm very glad to see the UK's Chancellor of the Exchequer, Alistair Darling, getting roundly beaten up on his proposals to raise taxes for non-domiciles. His opposition counterpart, George Osborne, is keeping rather quiet. But then it was Osborne who started this hare running.

Of course, Osborne's plan, to lift a few grand from the richest folk who live in the UK and pay tax elsewhere was relatively modest, and had been tested among business groups (who weren't pleased, but didn't see it as very troublesome). The idea went down well with the public, who rather like the notion of making foreign zillionaires pay at least something to support the Health Service, and that prompted Darling to come up with his clumsy, disastrous copy.

In fact, non-doms already pay about £7bn in taxes. Darling's plan to charge them £30,000 for the privilege of living in the UK would add £500m to that. That's hitting them big (they're not all zillionaires, you know) to raise a tiny (less than 0.1%) increment to total government revenues. As Madsen Pirie made plain in the Adam Smith Institute report *The People Economy* [3], wealth-creators these days are highly mobile creatures. Even the Treasury estimates that the new tax might drive away 3,000 of these foreign entrepreneurs, but the CBI it could well be nearer 8,000 ? in which case the Chancellor would end up with less revenue, not more.

Since Osborne's under pressure from Conservatives who think tax is already too high, and Darling's advised by Revenue officers who think it's too low, the plans are actually chalk and cheese. But the public can't see the difference, so Orborne can hardly start beating up the Chancellor, and it is being left to business groups ? which makes it look like special pleading. That's a pity. Investors are easily spooked by tax rises and indeed tax uncertainty. They don't *have* to live and invest here. In the attempt to be more populist than the Conservatives, the Chancellor could end up doing the UK ? and his own revenues ? a lot of damage.

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