

[On fairness and non-doms](#) [1]

Written by [Preston Byrne](#) [2] | Thursday 24 March 2011



On Wednesday, the government announced that it was – yet again – going to raise taxes on the so-called "non-doms." The Government broached the subject gently, saying first in the Budget "that non-domiciled individuals make a valuable contribution to the UK economy" – but, just like a rough break-up with your first girlfriend in high school, trying to be gentle only makes the bad news sting even worse when it finally comes: "non-domiciled individuals, especially those who have been resident in the UK for many years, (must) make a fair tax contribution" – and, in this case, 'fair' means "increasing the existing £30,000 annual (remittance basis) charge (RBC) to £50,000", regardless of a particular taxpayer's actual level of income.

What's more, it turns out that the government's decision isn't a revenue-raising manoeuvre; as Eamonn [pointed out in the Wall Street Journal](#) [3] earlier this month, "the non-dom tax raised £162 million in its first year; but ... the exodus of those 16,000 (non-doms) cost the Treasury £800 million," a fact that will not have escaped Whitehall policy planners. Why, then, would the government increase the RBC by nearly 70%?

The answer is, in my view, pretty obvious. One of the three planks of this year's budget is "fairness," an idea central to selling the austerity agenda to the British public. If the government is to appear at all credible on that issue, it must be seen to spread the pain – in other words, it has to hose the rich. This is fairly simple to do with non-doms as journalists and the man on the Clapham omnibus seem completely unable to comprehend the law on domicile – the Guardian's Nick Mathiason, in a laughably poor article entitled [What is a non-dom?](#) [4], described it as simply a "coveted tax status of the international private jet set allowing the wealthy to legally avoid income and capital gains on their international earnings." I shall not dwell on the topic at length here, save to say that Mathiason's description is insufficient and, in my opinion, misleading.

As a consequence of ordinary people reading articles like Mathiason's, non-domiciled remittance basis taxpayers are widely misunderstood by the public, and have, therefore, become easy targets for tax hikes. The government encourages this misunderstanding, too: see many of the newspaper headlines based on government leaks in the days before the budget, including one where the [Sun cheered the introduction of a ?Tycoon Tax?](#) [5] on private jets, or any of various mainstream bourgeois periodicals hinting about a "tightening" of the rules around non-domiciled taxpayers – as if to suggest that they were "loose" before.

All of this smacks of a government that is misbehaving. Friedrich Hayek, writing in 1945, said that "government [must use] the universal acceptance of general principles as the means to create order in social affairs. It is the opposite of such government by principles when [authority] suggests 'that in any particular instance the means that serves society best should be the one that prevails.' ". Austerity or no austerity, targeting politically defenceless groups with hefty new taxes to serve political ends is

unprincipled and is not good government.

Liberal democracy is not about "paying a fair share" based on the exigencies of the moment and the vagaries of public opinion. If it were, Parliament would be little more than a trading floor where the freedoms of minorities were bartered away for temporary fixes and periodic bond repayments. True liberal democracy was and still should be about protecting and preserving freedom, equality in liberty and equality before the law ? even when it is not, financially or politically, in our best interests to do so.

[blog comments powered by Disqus](#) ^[7]

Source URL: <http://www.adamsmith.org/blog/tax-and-economy/on-fairness-and-non-doms>

Links:

[1] <http://www.adamsmith.org/blog/tax-and-economy/on-fairness-and-non-doms>

[2] <http://www.adamsmith.org/taxonomy/term/5822>

[3] <http://online.wsj.com/article/SB10001424052748704132204576190191632378896.html>

[4] <http://www.guardian.co.uk/politics/2010/mar/01/lord-ashcroft-what-is-a-non-dom>

[5] <http://www.thesun.co.uk/sol/homepage/news/3482905/Chancellor-George-Osbornes-tax-on-jet-setters.html>

[6] http://disqus.com/?ref_noscript

[7] <http://disqus.com>