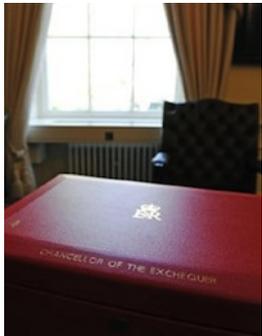


[Our take on the budget](#) [1]

Written by [Blog Editor](#) [2] | Wednesday 23 March 2011



Sam: It was all a bit of a damp squib, wasn't it? The titanic leaks to the press since the weekend meant that there were few surprises, and the big reform ? merging national insurance and income tax ? ended up being shunted off into yet another "consultation". As I tweeted when it was announced, we can probably expect that consultation to go the way of the Browne Review ? a good idea ruined by special interests and weak politicians. Anyway, here's what we released to journalists as our reaction to some of the key announcements in the budget:

- Osborne's budget doesn't do enough to kickstart economic growth. Business and income taxes are too high for small modifications to deliver the growth we need
- More than two thirds of the price of a litre of petrol is tax. Cutting a penny from fuel duty won't have a huge impact on businesses or ordinary people
- As long as Britain's income and capital gains taxes are so unattractive, cutting corporation tax alone will do little to attract foreign businesses

Tom Clougherty, Executive Director of the Adam Smith Institute, and Sam Bowman, Head of Research, have released the following comments in response to today's key announcements:

The government will consider merging income tax and national insurance.

"The only remaining justification for keeping income tax and national insurance separate is to prevent people realizing just how much tax they actually pay. Merging the two taxes on income is a welcome and long overdue move towards transparency and simplicity in the UK tax system. The Adam Smith Institute first proposed this reform in 1984. Sometimes, good things come to those who wait. But leaving employer NI contributions unchanged means that double taxation of income will continue even after this reform." - **TC**

The government will continue with reforms to make the UK?s corporate tax regime ?the most competitive? in the G20.

"Competitive business taxes are essential to growth, but corporation tax is only one part of the picture. The coalition?s capital gains tax hike makes Britain a world loser, and that can only hold back the capital investment that is vital for economic growth." - **TC**

The government will review the 50p tax rate.

"The Chancellor should have set out a clear timetable for the abolition of the 50p tax rate. As highlighted in

our 2011 report on the 50p tax rate, high earners are leaving Britain permanently to avoid the tax, and a vague assurance that it will be removed won't change that." - **SB**

Inheritance tax relief for charitable giving.

"It's better to give to charity than to the taxman. But it should be your choice who you leave your estate to, not the Chancellor's" - **SB** [*There's no need to wait for these changes to support the ASI, though. You can [donate right now](#)* ^[3]! ? ed]

The government will cut fuel duty and introduce a fair fuel stabilizer.

?This is great news for motorists, who have been viciously overtaxed by successive governments. But the government should have applied a similar rationale to the rest of its environmental programme, which is set to significantly raise energy costs in coming years. It doesn't make sense to talk about boosting manufacturing, while also pursuing policies that will raise the cost of energy by a third.? - **TC**

The government will raise the tax on cigarettes.

?Delaying the travel duty was a recognition that some taxes bite harder than others. Cigarette taxes are no different. "Sin taxes" may be effective revenue tools but only because, for many, they are a tax on fun. They're regressive and hit the poorest the hardest. In tough times like this, the Chancellor should spare us the grim paternalism of the sin tax and allow people some small pleasures in life. Britain's high tobacco taxes encourage illicit trade, with smuggled and counterfeit cigarettes now making up a significant part of the market. Today's budget will only compound that problem.? - **SB**

The government will attempt to boost the construction industry through the relaxation of planning laws and the use of ?land auctions?.

?The British planning system is absurdly strict and anachronistic. Land auctions might be a sensible way of minimizing the economic damage, but they are no substitute for proper, thoroughgoing liberalization. Rather than tinkering around the edges, we should be ripping up the Town & Country Planning Act and starting again. Enterprise zones are a good idea but they raise the question: why isn't the Chancellor making the whole country an enterprise zone?" - **TC**

One big disappointment?

?The budget will do little to encourage job creation. Yes, the Chancellor announced a handful of welcome changes to employment rules, but these pale into insignificance when compared with the rise in employers' national insurance contributions now coming into effect. Changes to thresholds do little to help the overall picture. Raising the cost of employment at a time like this is madness ? the Chancellor should have cancelled the rise in employer contributions.? - **TC**

Journalists who would like to contact Adam Smith Institute for comment should phone us or email sally@adamsmith.org ^[4].

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