

[Sensible tax policies](#) [1]

Written by [Tim Worstall](#) [2] | Monday 8 September 2008



Proving that there might be hope for us all even now two politicians have started to make encouraging noises about better taxation systems. David Cameron [says](#) [3]:

In an interview with *The Sunday Telegraph*, the Conservative leader sends a strong signal that he would seek to introduce tax reductions to reward those who "put their backs into the British economy", although he stresses that these must be affordable.

Not exactly the strongest of pledges but at least a start. Nick Clegg also seems to be getting [the point](#) [4]:

Nick Clegg has told *The Sunday Telegraph* that he is reviewing his pledge to cut 4p from income tax with a view to offering a much bigger cut for "middle earners".

Perhaps in their excitement to gain from the likely implosion of the Labour vote at the next election they might start to leapfrog each other in their commitments to such tax cuts? We can but hope, eh?

However, there are two more things I'd like to see. The minor one is that the justification for such cuts is that money left in the pockets of the populace will fructify making us all better off over time. The second and more major one is where those tax cuts should be concentrated.

The biggest problem we have in our tax system is at the lower end of it, where too many of the working poor are sucked into the tax system while they're earning almost trivial sums of money. The interaction of this and the benefits system means that millions face marginal tax and benefit withdrawal rates of 70, 80, in some cases even over 100%. This is clearly an inanity.

While we may not yet be able to get the implementation of one of our ideas, a flat tax, at least we can point out to the competing tax cutters that the best bang for the buck will be achieved by concentrating tax cuts on raising the personal allowance. We now only cut taxes for all this way, we also reduce those insanely high marginal tax rates which drain all ambition from those caught in that world of low paid work and benefits reliance.

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[1] <http://www.adamsmith.org/blog/tax-and-economy/sensible-tax-policies>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3] <http://www.telegraph.co.uk/news/newstoppers/politics/conservative/2695969/David-Camerons-tax-plan-for-hard-working-Britons.html>

[4] <http://www.telegraph.co.uk/news/newstoppers/politics/liberaldemocrats/2697033/Nick-Clegg-promises-larger-Lib-Dem-tax-cuts.html>

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

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