

[Taxes cannot defy gravity](#) [1]

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High rates of income tax don't work. They don't raise more money for the Treasury, nor do they soak the rich and help the poor. Britain's 50% tax rate ? which actually means 52% by the time you add the National Insurance tax ? is a case in point. It should go. Indeed, if the UK is to recover economically, it must go.

Over the last century, America's tax rates have gone up and down. Presidents Coolidge, Kennedy, Reagan and Bush all made large cuts to the rate. And after each, the wealthiest Americans ended up paying more tax, and paying a larger share of the total. Evidence from Canada, France, India, Hong Kong and Russia is perfectly consistent with this. The same has been true in the UK. When the top tax rate here was 60%, the richest five percent paid just over a quarter of the total tax take. After Nigel Lawson cut it to 40%, they were paying nearly a third of it. And revenues rose so strongly that Lawson did not have to borrow ? indeed, he actually paid off some of the national debt.

When you take half ? or more ? of people's income in taxation, you really do cross a threshold. They regard it as unjust and unfair. So they down tools, move themselves or their business and their money abroad, cheat on their taxes, or pay expensive accountants to find ways to avoid the tax. That does the economy no good at all, and it generates absolutely no money to fund other government projects. Indeed, it loses the Treasury money.

We will know in February. By then, everyone's tax returns for the last year will be in, and we will be able to see what the effect of the 50% tax has been. I am certain the evidence will show lower returns and a smaller share being paid by the rich. Only three of the 86 largest economies in the world have tax rates higher than ours. Can we really be surprised if people think the UK is a rotten place to do business? And is it not obvious what we have to do about it?

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