

## [The 50p tax rate hurts everybody](#) [1]

Written by [Dr Eamonn Butler](#) [2] | Monday 1 August 2011



I sympathise with politicians who paint themselves into corners in the hope of electoral advantage. The Conservatives' HS2 High Speed Rail project is looking shakier by the day (the latest is a [scathing attack](#) [3] by the number-crunchers at the Institute of Economic Affairs). And Gordon Brown's 50p top rate of income tax, which the Liberal Democrats insisted on keeping, is looking no more solid. But when asked, LibDem minister just have to defend it, as Danny Alexander, backed up by Vince Cable, did at the weekend.

A pity. I thought we were supposed to be in an era where politicians could admit their mistake. And as our report [The Revenue and Growth Effects of Britain's High Personal Taxes](#) [4] (PDF) shows, the 50p top tax rate ? to which you have to add National Insurance of course ? is looking a very big mistake indeed. Only three of the world's 86 largest economies have higher marginal tax rates than the UK. Surveys show that business-generating high-fliers ? and indeed whole businesses ? are moving overseas, or thinking about it, because of our tax regime. Our loss is Zurich's gain.

Like Danny Alexander, the ASI is keen to see the poorest taken out of tax entirely. Indeed, we would go further and exempt anyone on minimum wage rates from tax entirely, a threshold of about £12,500. That would be a hugely positive incentive to induce people into the workforce and off benefits. But you do not need a 50p rate so that 'the rich' will 'pay' for this.

In fact, the 50p rate actually loses the Treasury money. At least, I am confident that this is what we will find after January 2012 when everyone's tax return is in and the full information is accessible. Because that is exactly what has happened everywhere else. When taxes are too high, people down tools, move themselves or their businesses abroad, fiddle the books, or employ expensive accountants to save them tax. The net result is that the Treasury has less money to play with, not more.

By the the of the next budget, this will be apparent. So it's really unwise for politicians to paint themselves into this corner now.

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