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A free-market agenda for the 2012 budget [1]

Written by **Blog Editor** [2] | Friday 16 March 2012

50p Tax ? It should go. It doesn't raise any money and it damages Britain's economic competitiveness. Dropping the 50p rate to 45p would be ineffective and wet. Any tax over 40p ? to which national insurance must be added too ? will produce lower long-term returns for the Treasury as investors conclude that Britain does not welcome them. Changing the rate to a new figure simple sends out the signal that Britain's tax system is in turmoil ? while what investors want it stability. Reducing it all the way to 40p will send out a clear signal that Britain is open for business again.

We released a report last year calling for the 50p rate to be scrapped and arguing that it would lower tax revenue. Our director, Dr Eamonn Butler, recently wrote about this in the Mail on Sunday [3].

Mansion tax - There is a case for wholesale reform of Britain's land/property taxes, but the mansion tax is the wrong way to go. Tax policy should be driven by economics, not envy-fuelled class warfare. This taxing of wealth is essentially theft.

Personal Allowances - We are in favour of raising the personal allowance and have been arguing for this for years [4]. Indeed, we would go further and ensure that people earning the minimum wage or less did not pay income tax at all.

Pensions - Further restrictions on contributing to private pensions would be a misstep by the Chancellor. Firstly, savers have already been hit hard by policies like QE. Secondly, given the demographic pressures of an ageing population, the government should be encouraging people to save more not less. Thirdly, savings create capital pools for investment, which drives economic growth ? again, we need more savings, not less.

Sin taxes - Sin taxes are regressive: they hit the poorest hardest. Moreover, the revenue from existing sin taxes already far exceeds the costs to society of tobacco, alcohol, and so on. Any further taxation is just about money ? whatever the government claims.

100 year or Perpetual Bonds - You would have to be mad to buy a 100 year or perpetual gilt, from this government or anyone else. The only way this could ever work is the government forced people to buy them (the most likely target of such a policy is the banks). But that's just a covert way to write off debt via inflation. It would be a dishonest cop-out, and another step along the road to permanently high debt and low growth.

General Anti-Avoidance Rule - The best way to ensure people pay their fair share of tax is to radically simplify the tax system by removing complex reliefs, allowances, and loopholes. Doing that would also allow you to lower headline rates. A 'general anti-avoidance rule' on the other hand, leaves far too much to bureaucratic discretion. It is a recipe for uncertainty, arbitrariness, and corruption. Our paper critiquing the GAAR can be viewed here [5].

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