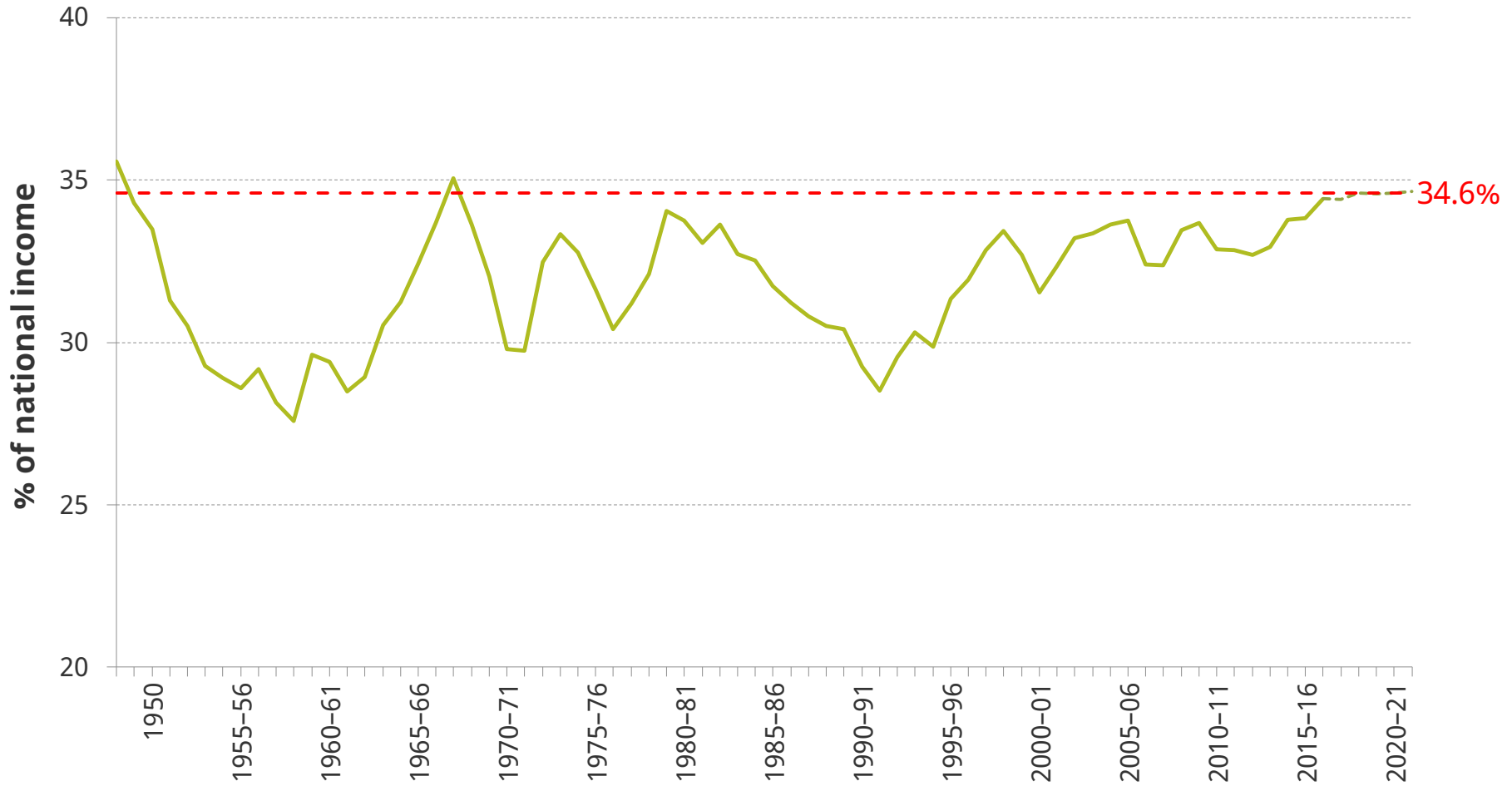


## IFS Green Budget 2019

Options for raising taxes

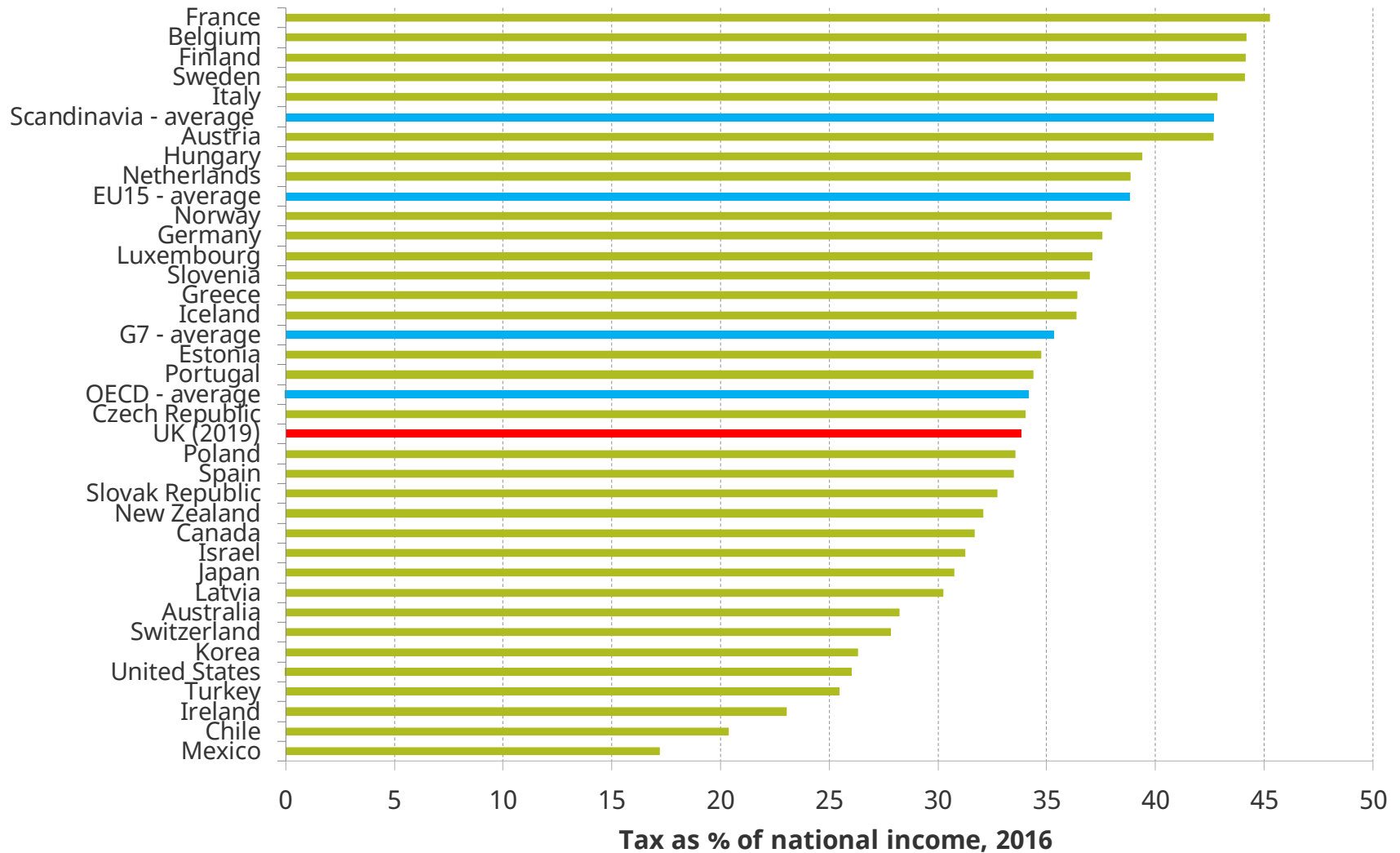
Stuart Adam

# Tax burden high by historical standards...



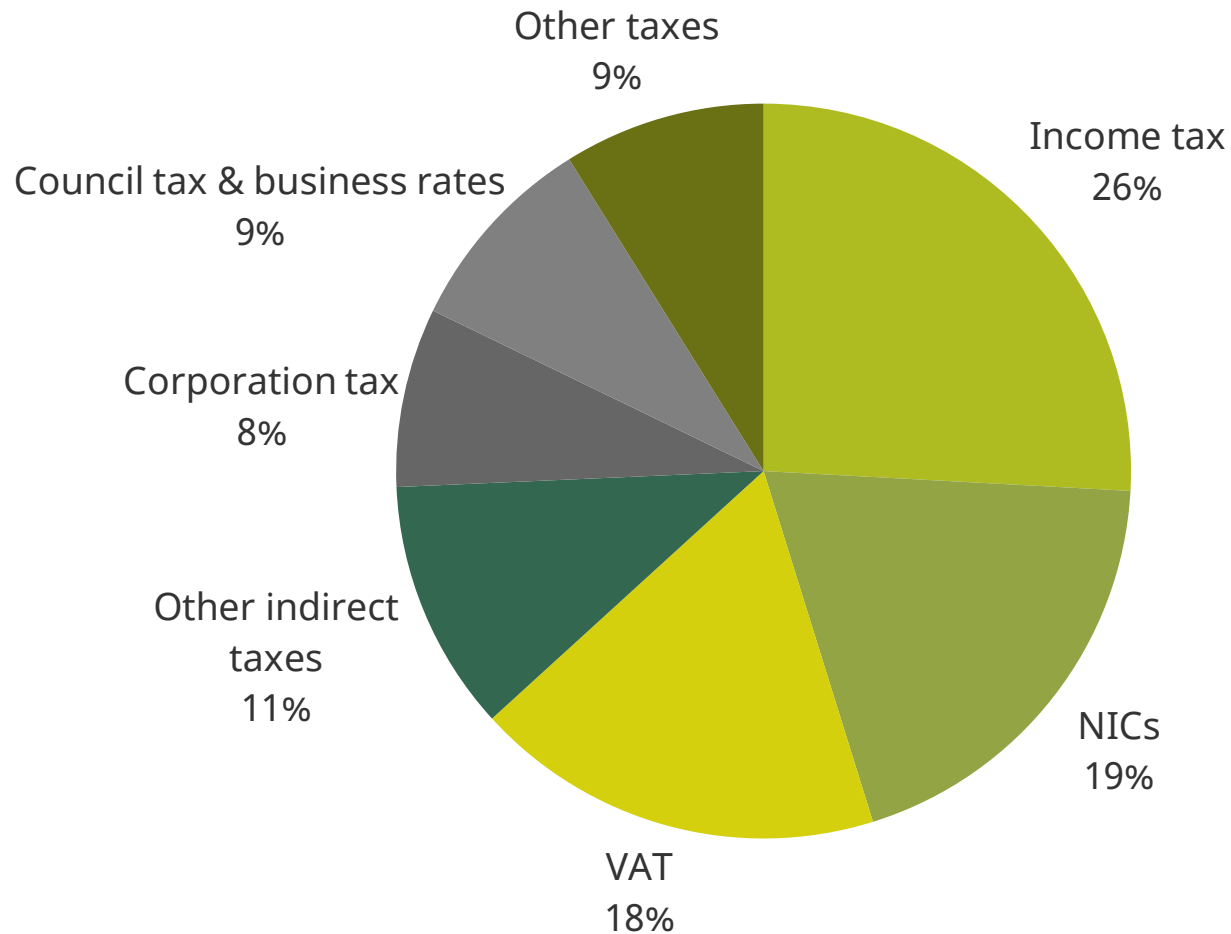
Sources: OBR, *Public Finances Databank*, August 2019

# ...but not by international standards



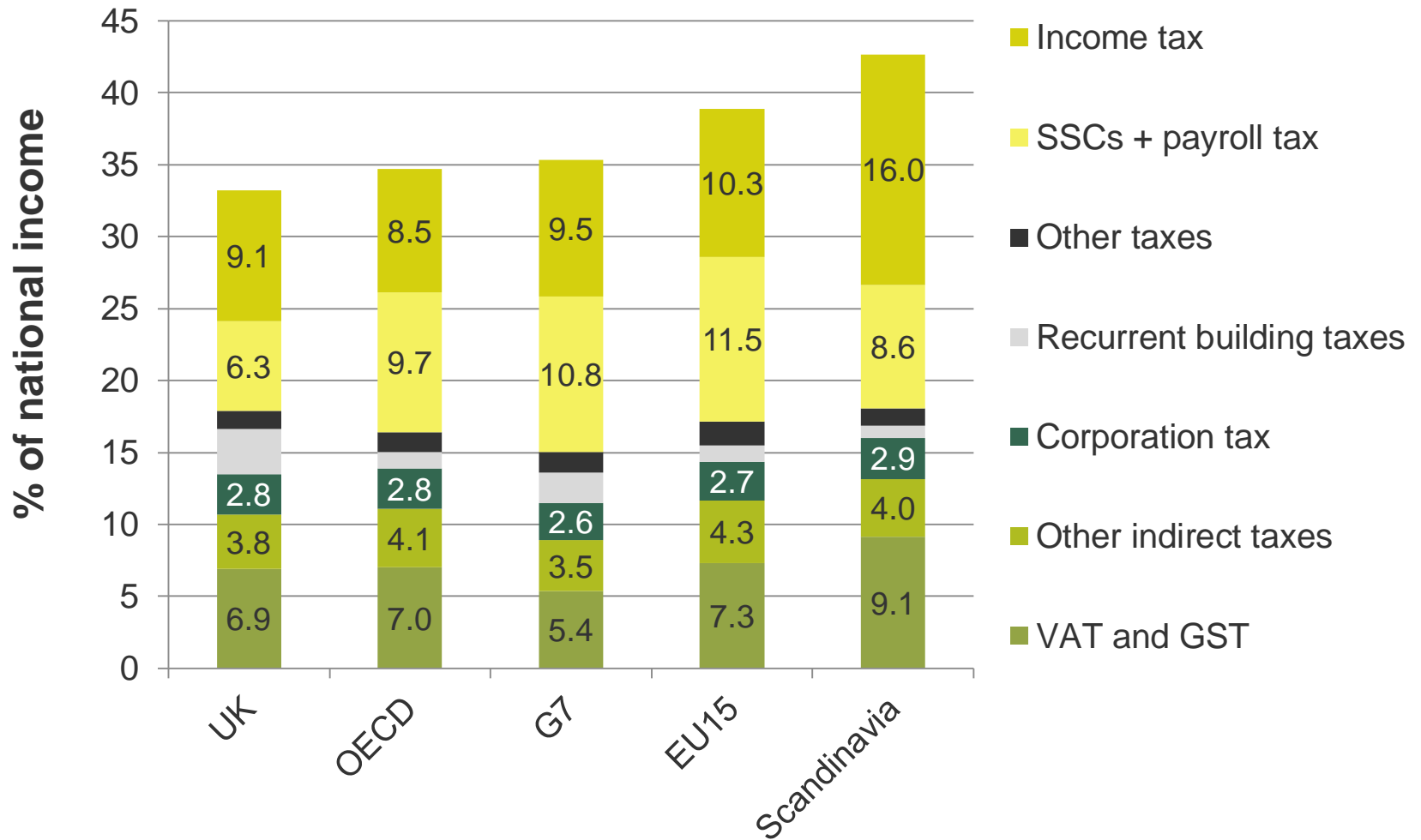
Source: Adapted from Conte, Miller & Pope (2019), 'How do other countries raise more in tax than the UK?'

# Where does UK tax revenue come from?



Source: Author's calculations based on OBR, *Economic and Fiscal Outlook: March 2019*

# How do other countries raise more?



Source: Conte, Miller & Pope (2019), 'How do other countries raise more in tax than the UK?'

## Broad-based tax rises

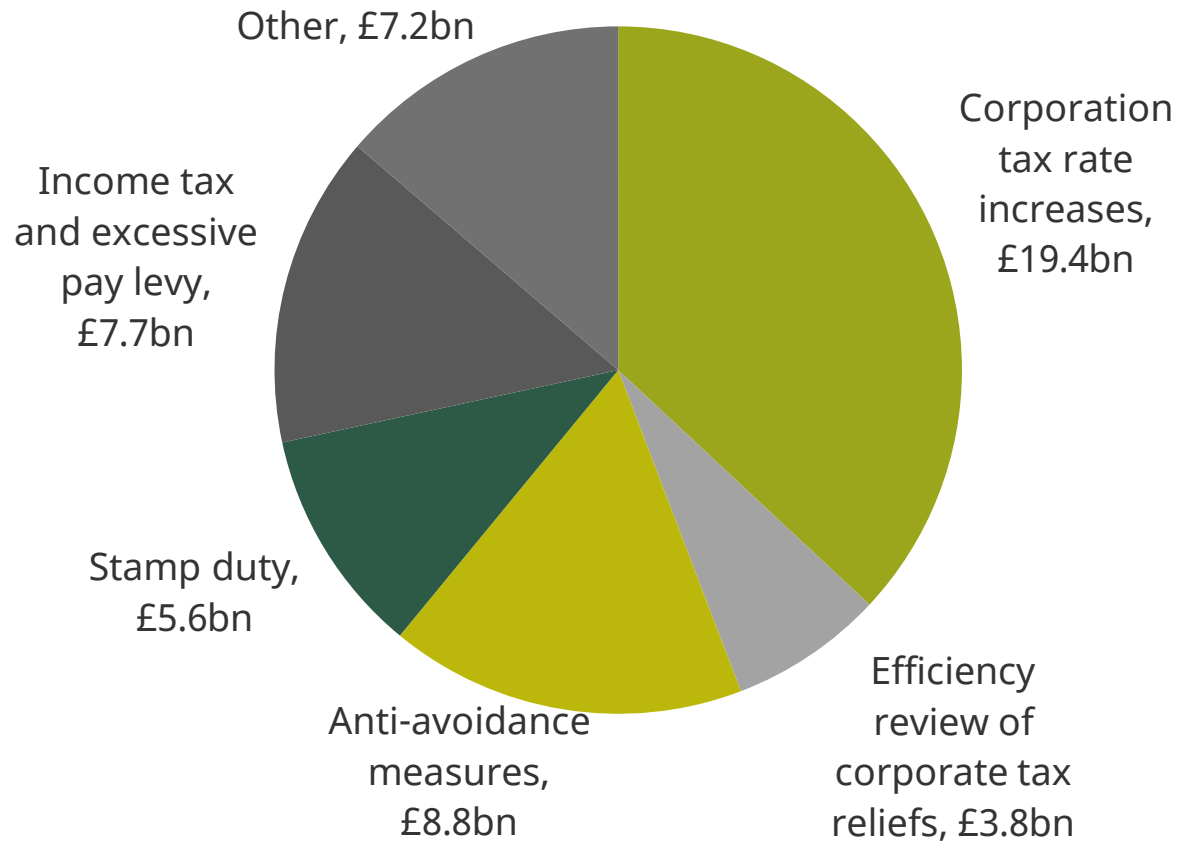
**Raise roughly £6-7bn from a 1 percentage point increase in any of:**

- All rates of income tax
- All rates of employee & self-employed NICs
- Main rate of VAT

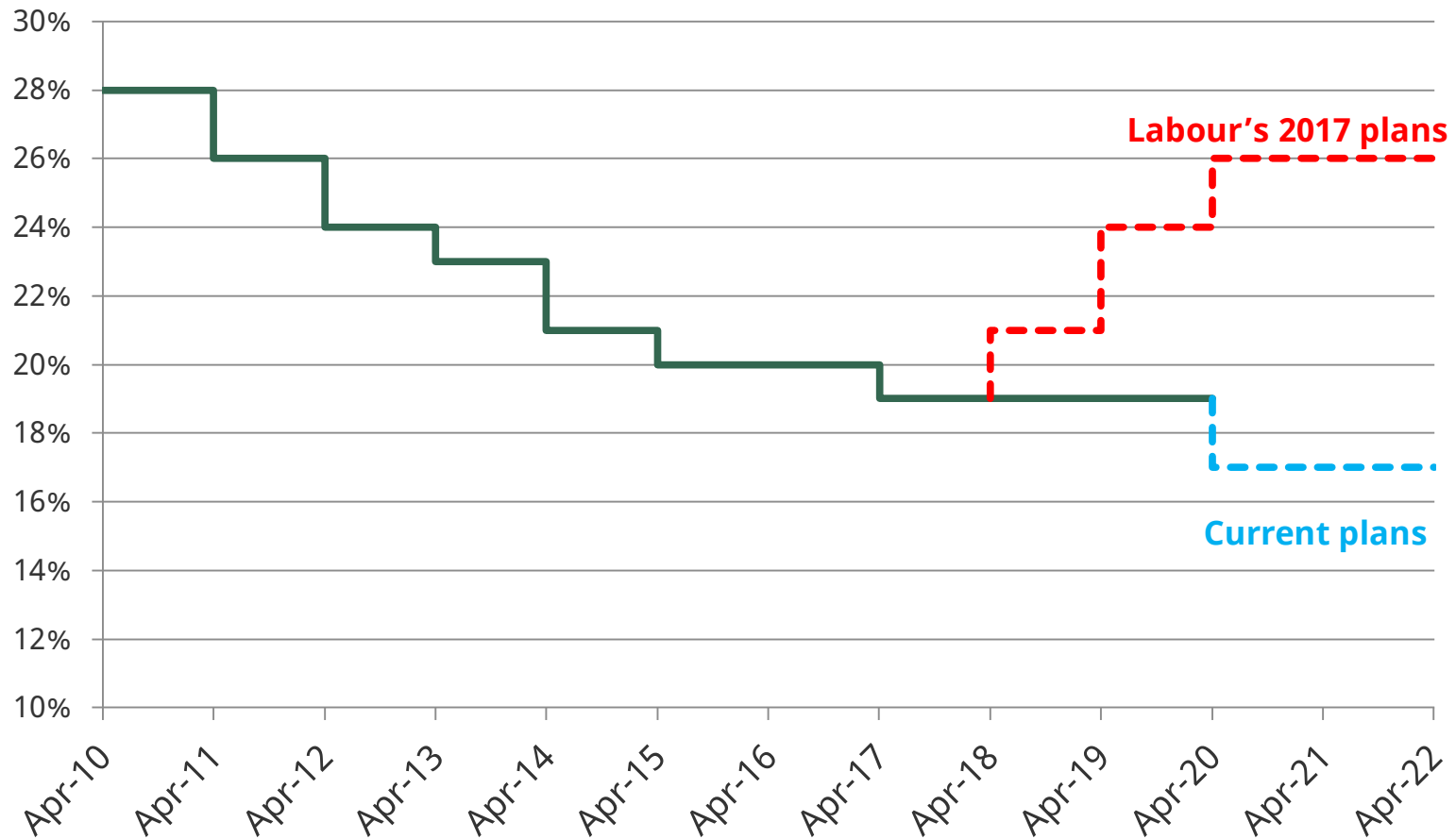
**Raise £1.3bn from a 1 percentage point increase in the higher rate of income tax**

# Labour's 2017 manifesto proposals

Labour said £53bn of tax rises, less £4bn of 'headroom'

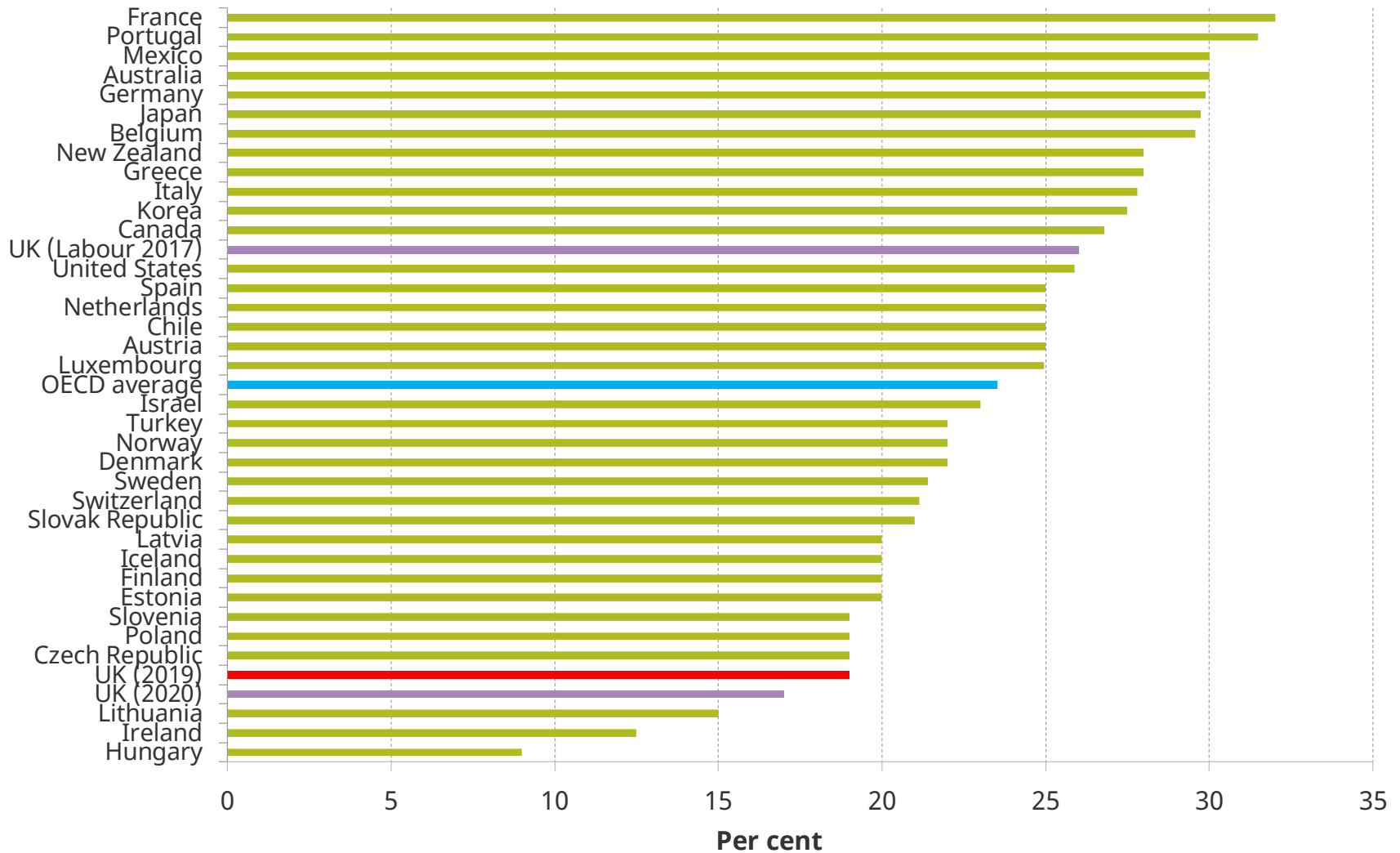


# Main rate of corporation tax



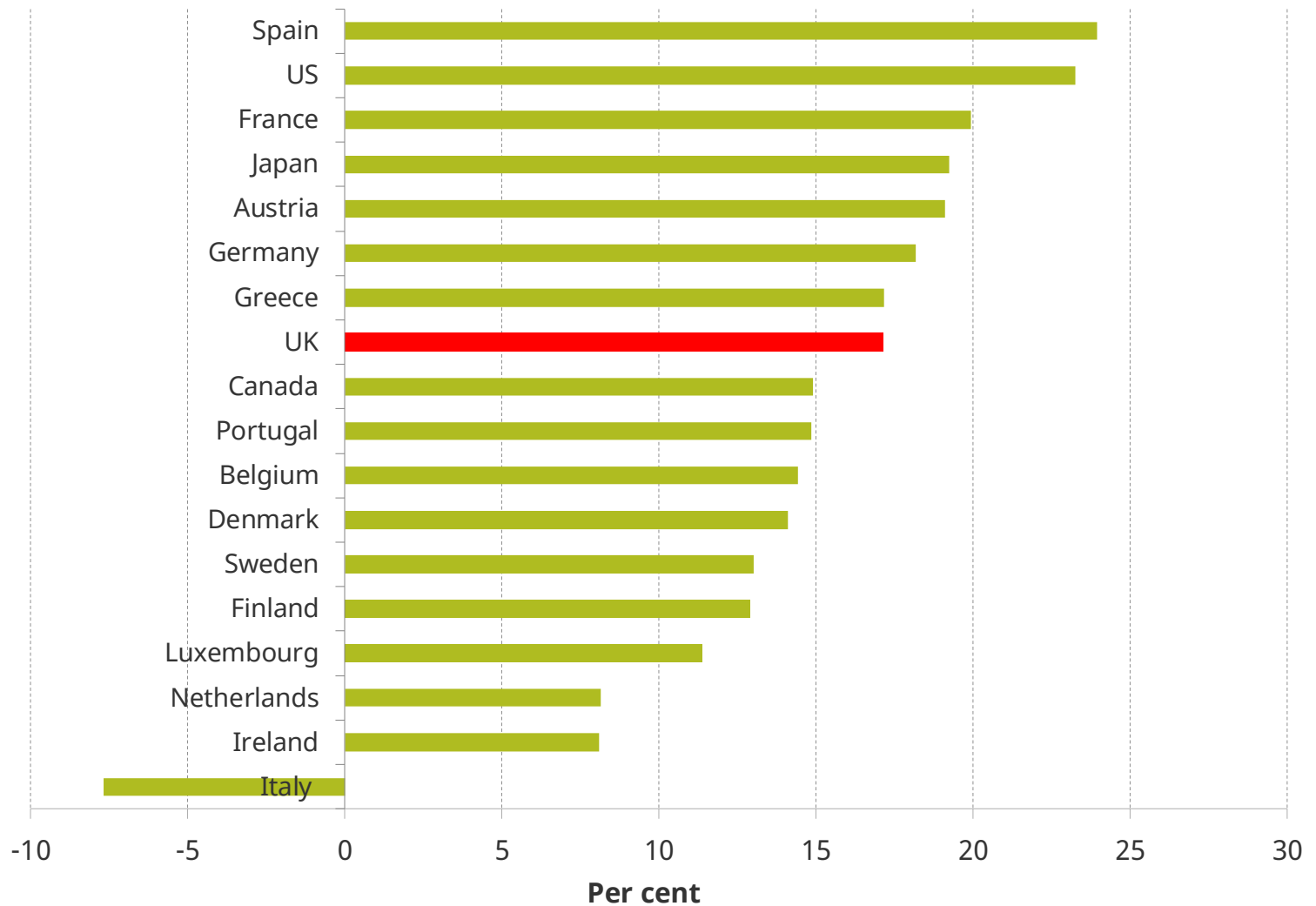


# Headline corporation tax rates, 2019



Source: OECD.Stat, extracted 6/10/19

# Effective marginal corporation tax rates, 2017



Source: H. Miller (2017), 'What's been happening to corporation tax?', based on CBT Tax Database

# Options for increasing tax on the wealthy

## Worth avoiding:

- Restricting pension tax relief
- Increasing stamp duty land tax
- Annual wealth tax

# Options for increasing tax on the wealthy

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- Restricting pension tax relief
- Increasing stamp duty land tax
- Annual wealth tax

## Worth considering:

- NICs on employer pension contributions *or* pensions in payment, and cut tax-free lump sum
- Increase (updated!) council tax at top end
- Remove IHT reliefs for agricultural and business assets
- Tax lifetime gifts as well as bequests
- Remove CGT entrepreneur's relief and forgiveness at death
- Merge income tax and CGT allowances

# Conclusion

**Higher spending ultimately requires higher taxes**

**There are more and less sensible ways to increase taxes**

**Other countries' tax systems would take more from middle earners**

- Harder to raise really big sums just by taxing 'the rich'