

Proposed UK National Budget

Preamble

National budgets in a free society, as with everything else to do with the State, should be about fairness for all. This includes fairness for those who contribute to the wellbeing of our nation, as well as fairness to those who depend upon it through no fault of their own. In this budget I hope to address much of what I see as unfairness in the way the UK financial affairs are run.

I don't have access to the information which will give specific numbers, so any reference to amounts should be taken as discussion points.

Throughout this budget I shall address radical ways of reducing public expenditure and of unravelling a system which has become too complicated by far.

There are two ways to balance a budget; increasing income and cutting expenditure. I shall address both in this paper.

A further matter I intend to redress is that the attitude that, "I have rights," is balanced by, "But I also have responsibilities." For example it is wholly unfair that someone receiving State financial aid should receive excessive payments to keep them living in an expensive area, when those who provide for themselves would have to move to a less expensive area if they over-reached themselves financially.

As a result of this budget, people will have the means and freedom to determine their own affairs, not have Nanny State doing things for them. There will be no benefits trap to prevent those who can work from so doing. This will free up money to help those who, through no fault of their own, can't work.

In future the State will not "reward" people who make a life choice to have lots of children and let the State keep them in housing and all their living expenses. This is going to be a tough call, not without controversy, but families with 3 generations depending solely on benefits is not right and it's unfair on hardworking families to expect them to keep paying for it.

I accept that there will have to be transitional arrangements so as not to disadvantage children already born but, in future, if someone wants lots of children without their having the resources to bring them up, that is not a matter for the State. Those who want the State to help them have to recognise their own responsibility not to be profligate at the expense of others. I would describe this not as harsh but as common sense. All those who can fend for themselves must do just that. As ever, we will help those who can't help themselves; but why should we help those who can help themselves, but choose not to do it?

I also address the situation where economic migrants are coming from EU states where the benefits system is a lot less generous than ours. Too many single parents come here from Eastern Europe in situations where the absent parent pays nothing towards the family. On arriving here they work 16 hours a week and quickly claim a raft of benefits. I have even heard of a woman making a black economy living out of advising such families how to maximise their take. The benefits are not available in their home country and they have paid little or nothing to the UK before claiming.

EU law says we have to treat all EU citizens the same so, if there is no other way around this problem, in future ALL recipients of UK State welfare will have to have been in paid full time work for 2 years in total before they are eligible for any tax or benefit refunds under the new rules which I am putting forward.

This of course will mean that school leavers seeking work will be dependent on their parents if they are not working, until they have completed 2 years' full time paid work. In the circumstances that the State has educated children at the taxpayer's expense for at least 11 years, I don't see this as unfair. If parents want to bring up their children to not want work, then the parents can keep them until the kids decide they want to work.

There will be an exception made for the disabled and the genuinely long term sick.

Taxation and Benefits

Give a hungry man a fish and he'll be hungry again tomorrow: teach him how to fish and he will feed himself.

The UK system of taxation and benefits has become unnecessarily complicated and unwieldy. If ordinary people can't understand it, then it is unfit for purpose. As it becomes more and more complicated, more and more public service employees are needed, taking them away from the possibility of working in the private sector and generating wealth instead of depleting wealth. A smaller public sector and a larger private sector can only help our economy to regenerate, but it is not for the Government to create jobs: that is for the private sector. It's too easy and a cheap shot for opposition members to blame a government, after the previous party in power is responsible for the economic mess in which we find ourselves.

It is all very well for public sector unions to claim that their workers are taxpayers too, but it's a fatuous claim, overlooking the fact that it is the wealth generated solely by the private sector which gives public sector employees the money with which to pay their taxes.

In future there will be no separate benefits. Everyone will have an allowance built into their tax codes, which will take account of their personal circumstances. If their tax code is greater than their earnings, then their employer will top up their pay to the tax code (negative tax) and reclaim the top-up from HMRC, drastically cutting the administration of benefits.

Those in work will receive “The Working Allowance” (say £10 a day, £3,650 a year for those in full time work) on their tax code, with proportionate reductions, based on hours worked, for those not working full time. Thus it will never be possible to receive more by not working than by working. The differential must be sufficient to make people want to work.

If someone loses his/her job, he/she must take the P45 to HMRC, who will reduce the claimant’s code number pro rata by the Working Allowance, then pay the proportionate revised code number allowance into the claimant’s bank account. When the recipient re-starts work, HMRC gives back a pro rata increase and a tax coding for the new employer.

This will cause a large reduction in the number of public sector employees working on the benefits system, although some of them will be redeployed to HMRC to take on the work attaching to revising tax codes. In this and in other areas of the public service there will be no voluntary redundancies. Employees kept on will be kept on merit and aptitude for the work involved. Voluntary redundancy encourages the most able and willing to go.

The tax allowance for everyone will be made up of:

- A personal allowance, which will be tapered and lower for very young workers, who generally live with their parents
- A housing allowance (and housing benefit will stop)
- The new “Working Allowance”
- A “Retired Person’s Allowance”
- A spouse allowance, where the spouse or “partner” is not working
- A variable disability allowance, which incorporates mobility where appropriate. The Government mobility scheme is thus redundant, with a saving in red tape and numbers of staff.
- A children allowance, which incorporates the current child allowance and will take account of such things as additional housing needs. All children born up to 43 weeks from now will accrue children allowance. After that date allowance will not be paid for any further children if there are already 2 children in the family. It is not responsible to one’s self, to one’s family or to the State to keep having children which one cannot afford to keep and expect the State to step in.
- The State pays a considerable amount of money chasing absent parents who don’t pay for their children. In future single parents will receive double the allowance for each eligible child, paid for by a reduction in the tax code of the absent parent of the child allowance. On top of that parents in split families are encouraged to make arrangements privately without going to Court unless absolutely necessary. Where Courts find against the absent parent an order for costs will be made against that parent as an incentive to keep what should be private matters out of Court. If necessary, specialist Courts will be set up to deal with these cases. Accordingly the Child Support Agency, which has never been fit for purpose will close.

- There will be a ceiling on allowances approximately equivalent to the national average annual wage, which at present is of the order of £26,000.

Taxes on Income

- Taxation will in future be such that it increases, depending on the diminishing marginal utility of income. Thus a formula will be introduced, such that the first £1 of taxable pay will be taxed at £0.01.
- Thereafter it will further increase (£0.02, £0.03 etc.) as per the formula up to a maximum of (say) 65% at (say) 6 times the national average earnings. I envisage the curve to be ever steepening within these limits, in line with the diminishing marginal utility of income. Thus there would be no specific tax bands.
- Earnings above 6 times the national average will be taxed at 50% flat. There has to be some incentive for the higher earners to want to earn more, as opposed to reducing their work commitment. These are the people who create jobs.
- National Insurance will be abolished and incorporated into the rates of Income Tax and Corporation Tax.
- Tax on capital gains will be calculated by adding the gains to income and taxing as income tax. The present exemptions on Capital Gains Tax will continue, and the Government will consult on the annual allowance being gradually phased out over a period of years. It is unfair to tax payers as a whole that, for example, investors in shares which have little in the way of dividends, but more in capital appreciation pay less tax than were there more dividends and less capital appreciation.
- All cohabiting couples will be taxed jointly. It is unfair that the tax rate can be higher for a one earner household earning say £50,000 a year than for a 2 earner household bringing in a total of £80,000 a year.

The Public Sector

One thing which in my view has not been addressed properly or adequately by successive governments is the size of the public sector relative to that of the private sector.

My experience of public sector employees is that there are some exceptionally gifted people working in it. Unfortunately it is also my experience that these exceptional people are somewhat rare. The public sector is not well run at many levels and it is for the government to ensure that more is done to make it well run. This was always important, but it has been neglected for too long. Now that our nation is in the poor financial state left by the previous government, it is more imperative that this is addressed.

Public Sector Pensions - the burden on the private sector:

- I believe in fair and adequate pensions for all in the United Kingdom, not just for some of us. That many people who have worked and paid taxes for sometimes more than 50 years, for them then to have an inadequate pension is a national disgrace.

- Having said that, the State and employers cannot be expected to do it all; there is also a personal responsibility to save for one's retirement. To this end I shall redress the measures taken by the last Labour Government on taxation and other pensions matters.
- It is manifestly unfair that employees in the public sector enjoy better terms & conditions than the private sector, earn on average 7% more AND have a final salary pension scheme which most firms in the private sector either never had, or had to close down on the grounds of affordability. Moreover public sector pensions are inflation proofed, a feature almost unheard of in the private sector.
- Accordingly I propose that all public sector final salary schemes be closed for new entrants and for future service. Our obligations for benefits accrued to date will of course be honoured. They are contractual and we will not remove benefits already bought. A detailed justification for this is available at <http://www.ez2binsured.com/Public%20Sector%20Pensions.pdf>.
- Future benefits will be bought by money purchase and will be invested, not unfunded as many public sector schemes are at present. This has 2 big benefits for the country:
 - it reduces the burden on future taxpayers
 - it will create a further demand for shares, which should have a positive effect on the Stock Market, thus improving the pensions available to the private sector as well and reducing the deficits on invested pension funds.

Pensions Taxation

- The taxation of pension funds introduced by the last Labour Government is to be abolished. It is ridiculous to tax pension funds when the UK has a massive problem of under-provision for retirement, mainly in the private sector. It is noted that the unfunded State sector pensions don't pay these taxes at all.
- In future pension funds will pay no tax.
- The upper limit on contributions will be abolished to encourage investment and boost markets.
- Once the upper limit on individual fund size is reached no further contributions may be paid in until the upper limit is greater than the fund size, but the fund will not face tax penalties for being over the limit.
- There will be no upper age limit at which pension must be taken
- Current HMRC penalties on death are to be abolished.
- The purpose of this is to encourage people to make provision for the future, so the State is not left picking up the tab.

Road Fund Licence

I propose that we do away with car tax altogether, increasing fuel prices to make up the loss of revenue.

- The occupants of a suitably equipped police car know almost immediately from their car's link to the DVLA computer if the vehicle they are following has a

current MoT certificate and insurance cover. Thus we no longer need the tax disc to establish current MoT and insurance details, as these are already on the DVLA computer. This would save money printing the discs and on the staff expenses (including all the on-costs) of issuing them.

- ALL motorists (including foreign visitors and car tax dodgers) have to pay fuel tax if they want to drive a car here.
- It cannot be right that someone with a car who does very little mileage pays disproportionately for what may be essential transport, especially in the areas where there is little public transport.
- once we've done away with road tax, police time spent stopping vehicles on tax disc checks is released for other (probably more important) policing issues.

I am sure there may be other indirect cost benefits to this.

In my view this is a fairer way of persuading motorists to be more careful with the fuel they use, with spin-off benefits of reducing Government agency staffing costs.

Winter Fuel Allowance

In view of the new tax allowances and negative tax, this will be abolished. For retired people only, the "Working Tax Allowance" will be weighted so that payment to the pensioner is increased for 6 or 7 months of the year. We shall consult on the best months, but it will probably be October to March inclusive if 6 months is chosen. This also means that those whose incomes are more than their tax allowances will receive nothing, but they don't need it. Too many people receive the allowance at present where it is not needed. HMRC's computers will automatically adjust the payments made each month.

Bus Passes

The bus pass scheme unfairly discriminates against the rural resident with little or no bus service. The scheme is also wasteful in administration costs. I therefore propose its abolition. It is wrong to condescend to our senior citizens by giving this and that hand out. Give them a decent pension and let them decide what to do with it.

Stamp Duty – The present band system is unfair. For example Stamp Duty on a home of £250,000 is £5000.01 more than if the price were £249,999. The same is true for the other bands. This discourages people from improving their property if the value of their home is near a band change. There is a knock on effect into the building trade. The Government intends to consult on the true cost of collecting this money and the total tax take. If the difference is not significant, then the tax will be abolished. If revenue less collection costs is substantial, then the rates will be changed so that the total revenue is not harmed, but that each band's rate will apply for that band and the higher rate will only come into effect for the excess over that band. If this tax is cost effective, I see no reason why it could not be on a sliding scale, starting at £0.01 in the £ and progressing gradually up to a maximum figure.

Inheritance Tax - The Government intends to consult on the true cost of collecting this money and the total tax take. IHT is widely regarded as an avoidable tax, with careful planning. If the net take is not substantial then I shall consider abolition. The government doesn't levy taxes just to keep public servants in employment.

VAT – remains as at present.

Alcohol Tax – in addition to present taxes, I am persuaded by various medical evidence in the public domain that the present total tax take be converted into a tax per unit of alcohol and that an additional amount of £0.50 per unit be levied on alcoholic drinks up to 5.5% alcohol, £0.40 per unit on drinks up to 20% alcohol, £0.30 per unit on drinks over 20% alcohol.

Tobacco Tax – There are still too many people smoking and it's still costing the country too much in lost working hours and NHS costs, so this tax is doubled. I would really like to see a total ban on smoking throughout the UK, but this isn't a matter for a budget.

Prescription Costs – These should be increased annually for those who have to pay in line with RPI. The cost per item is still less than some cheap bottles of perfume and which is more important?

NHS Costs – The Government will consult on a number of procedures available on the NHS which perhaps should only be offered privately. These include IVF and certain cosmetic procedures. It's time we had a proper and honest debate on where the NHS should not go. The NHS budget is not a bottomless pocket full of money and it's time politicians were not abjectly dishonest about this.

These measures will ensure a fairer distribution of taxation, provision of benefits for those in genuine need and a spur to those on benefits who could work to find employment. They will also ensure that the relative size of the public sector reduces against the size of the private sector, which can only help our economy in the long term.

I would liken this to the first time one visits a gymnasium: it hurts at first, but gradually one's fitness improves in great measure.

Richard Brown
12 March 2012