SA52. Low Hanging Fruit – by Henry Law

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Exit from the EU opens up the possiblity of some quick wins, sometimes referred to as "low-hanging fruit".

One of the most malign features of the EU's economic and fiscal policies is VAT. Governments can not reduce it below 15% or abolish it or replace it with a different sales tax or a different tax altogether. It is regressive and expensive to administer, especially for small business because of the amount of paperwork it causes. It is also vulnerable to fraud and avoidance. It adds to the government's welfare bill as money has to be paid to the poorest people so they can pay it back to the government in tax. EU membership has prevented any discussion of the subject. Debate is always shut down with the killer statement that it cannot be changed. It is an important factor in the throwaway economy as it is charged on repairs, even to buildings. The issue has never been raised at EU level, not even by Green politicians.

Labour cut VAT in 1998 when it would have been better to remove it altogether from basic necessities and essential services. It would then have been difficult for another government to reimpose them.

With the UK outside the EU, selective VAT cuts are possible which would have been against the rules. A logical place to start would be to look in the shopping basket of someone on benefit or basic state pension. The government should not be paying out benefit to people just so that they can pay it back in tax. This would point to the abolition of VAT on clothes, shoes, shoe and clothing repairs household supplies, spectacles, building repairs, gas and electricity, and similar items.

Local economies could be stimulated by local or regional reductions of VAT on providers of services such such as cafes, hotels and restaurants.

These changes would yield an immediate cut in the cost of living, and consequent reductions in government expenditure on benefits which are tied to the cost of living.

How to pay for this? One place to look – again as a quick fix – is the Council Tax ratio. Top rate Band G properties are liable to only three times the amount paid on Band A properties, when the ratio of their values is six to one. There is plenty of scope for an increase which would make the tax fairer, without even changing the existing structure of bands. It would also be possible to impose a national element of Council Tax to create an equalisation fund to transfer funds from wealthy areas to poor areas, where it could be spend on improving services, repairing and reinstating facilities such as parks and libraries, and on environmental improvements. In conjuction with regional VAT cuts, this would provide an immediate boost to the country's most depressed regions. Additional revenue would also be potentially available after the next UBR revaluation if the agricultural rates exemption was abolished.

A further regional boost could possibly be achieved through the introduction of higher tax and NI thresholds for those living and working in depressed regions.

Being outside the EU's tariff wall would also open up the way for cuts in living costs, through the import of food from cheaper suppliers such as South America, Australia and New Zealand. The government should give the go-ahead to this as soon as possible.

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