

# The Telegraph

A new low tax economy can both liberate us and be socially just



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The EU has proven itself doomed CREDIT: ANDREW KELLY/REUTERS

We should all be grateful to Brussels for showing us, yet again, why we are right to be leaving the European Union, an entity now irrevocably set on a course of long-term decline.

There have always been two tendencies at work in the EU: one pro-competition, pro-market and pro-individual freedom; the other collectivist, centralising and madly interventionist. The latter faction won, spectacularly so.

The EU's proposed trade deal with America is dead, demolishing the argument that remaining in the EU would have been the best way for Britain to deliver global free trade; and now the European Commission is waging war on tax competition. Forget about the technicalities of the Commission's allegations against Apple and Ireland: the intent is to preserve the high-tax, high-spending social democratic model, and that means crushing those smaller, weaker nations with the temerity to seek to make themselves more attractive to potential job-creators.

As the EU shrinks after Brexit and globalisation proceeds apace, this is the economic equivalent of a new Maginot line, a doomed attempt at bucking international competition.

But its ineffectiveness at propping up a discredited model ought to be the least of Europe's worries. By retroactively changing the rules, it has introduced immense uncertainty into corporate decision-making, and not just for American firms. Many other investors are realising they could be next, they too could suddenly be landed with an entirely unpredictable, postdated tax bill. Contracts between companies and nations are being reopened; promises torn up, not by those who made them but by an unelected, unstoppable bureaucracy.

Inevitably, [Brexit implies temporary uncertainty, rattling the nerves of many big firms](#) (consumers, by contrast, are pretty upbeat). The good news for UK Plc is that what little fleeting advantage the EU had gained as a result has now vanished. If Britain gets its act together, our kind of uncertainty – rebooting our society, politics and economics – will soon be seen as the good sort, while Europe's will be understood as purely negative. How many City firms would, under such circumstances, still mull relocating anything more than a trivial number of their staff to Ireland or Luxembourg? At some point, the penny will also drop that France, Italy and Spain all exhibit high and rising geopolitical risk.

This presents a huge opportunity for Britain to reposition itself as a post-Brexit beacon of stability and capitalism, a truly pro-growth, competitive economy, with its own rules and taxes and an old-fashioned commitment to the rule of law, combined with a geographical proximity to the EU. Britain should seek not just to retain investment but steal as much as possible from its neighbours. In the race for foreign capital and high-skilled, high-quality talent, we should seek not just to win but triumph; ditto when it comes to sales and contracts. We need to grab the deals, the offices, the factories, the construction work and the jobs. The Government's job is to set out a pro-growth framework, [work to liberalise trade as quickly as possible](#) and aggressively use its diplomatic might to fend off protectionist attacks; the private sector's job is to do the rest.

The strategy should be noticeably different to Ireland's and Luxembourg's, however, to make sure that it is politically viable with the British electorate. Voters have understandably become suspicious of anything that smacks of special privileges for the rich or big business: the public would readily accept a low-tax revolution, but only if it is clear that everyone is benefiting.

The aim should therefore be to turn Britain, over time, into a new kind of low-tax economy: not quite the sort we used to have, which was too reliant on loopholes or special statuses, but rather a new system which treats people and firms as equally as possible.

Taxation is an area where we have rested on our laurels for far too long. By the Nineties, our tax system was one of Britain's selling points; after two decades dominated by [Gordon Brown and George Osborne's tinkering, stealthiness, class war and social engineering](#), the new government has inherited a nightmarishly complex, opaque, illogical and arbitrary tax code that is a major drag on the economy.

Philip Hammond, the Chancellor, should stake his place in history with a grand tax reform, a historic, comprehensive shake-up that starts from first principles and junks much of the existing tax code. This will take years, so he should start by commissioning work on simplifying and reforming the tax system, while immediately tackling some of the daftest, job-destroying levies.

Instead of using the tax system to pick winners and losers, we should offer tax incentives across the board. We should seek to attract Apple, Google and others by offering them an overall system that is superior to anything available in the EU, rather than by striking specific sweetheart deals or creating a multi-tiered tax system for different sectors. The UK

should be willing to tolerate a temporary, small uptick in the deficit to help achieve this, as long as Mr Hammond's plans deliver higher revenues and lower spending in the decades ahead.



Theresa May's cabinet meets at Chequers, August 31 CREDIT: STEFAN ROUSSEAU/PA WIRE

Crucially, this would be compatible with [Theresa May's message to the Cabinet on Wednesday](#) that she wants the Government to “get tough on irresponsible behaviour in big business”. Companies that follow the law are not behaving irresponsibly. Ireland was delighted to invite Apple in: its citizens enjoyed huge job-creation and investment (and its exchequer the vast tax revenues that followed). Companies have no obligation to voluntarily impoverish their shareholders and employees by basing themselves in high-tax nations.

But it is also true that the public is unhappy at the idea that big firms are somehow able to enjoy a better deal than small businesses. The answer must therefore be low taxes for all, not just for a few: “social justice”, but of a libertarian variety. It would be the perfect starting point to reposition post-Brexit Britain as a beacon of enterprise and competitiveness. The opportunity beckons. We will soon find out whether Mrs May and Mr Hammond have the courage and vision to seize it.

