POLICY THUMBNAIL

Simpler, Lower Taxes

Unblocking growth by axing loopholes, cutting rates & abolishing stamp duty & inheritance tax.

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Centre for Small State Conservatives

THE PROBLEM

The UK's tax system has grown more & more complicated for decades. All the new wrinkles and special schemes have created loopholes and exemptions where small numbers of people and organisations pay lower taxes which then have to be funded by higher rates for everyone else. This creates three serious problems which affect the entire UK economy:

1) It distorts our economy, making Britain grow slower by pushing business investment towards the special schemes rather than into industries and firms where it could be used more productively.
2) It encourages economic 'rent seeking', a zero-sum game where people and organisations that don't qualify for a special scheme either lobby politicians to create new ones where they do; or artificially-restructure their affairs to fit inside a scheme that already exists. Their gains are inevitably paid for by higher taxes for everyone else, and also create an industry of lawyers, tax accountants & other advisors who charge large fees in the process, but they don't increase the UK's overall economic growth at all
3) It isn't fair. The people and organisations that benefit from special treatment are often the ones who can afford the best political lobbyists, which means our tax system has become biased in their favour. Workers currently (2025) pay income tax at 20%, 40% & 45% but wealthy people pay 8¾%, 33¾% & 39.35% on income from dividends, or 18% & 24% on capital gains.

THE SOLUTION

We will deliver simpler, lower taxes through a series of reforms including:

a) Reforming business taxes, where most of the special schemes & loopholes were originally created to stimulate investment. But in 2023 the Government introduced 'full expensing' which makes business investment fully tax deductible in the year it happens, which means all the other schemes are redundant & expensive duplication. So we will abolish all other business tax investment-promoting schemes, exemptions & loopholes apart from 'full expensing', and plough the proceeds back into cutting the rates of business taxes such as Corporation Tax, Business Rates or Employer National Insurance Contributions.
b) Applying the same tax rates to all types of income, whether it is earned from work or unearned from investments, by adding all the earned & unearned income together and then applying a single, unified income tax threshold and set of percentage rates. National Insurance Contributions will also apply to all types of income and use the new threshold, and pensioners will remain exempt. Capital gains calculations will be updated to allow for inflation, as always used to happen. We will plough the proceeds of this simpler, harmonised new scheme back into lower personal income taxes.
c) Rationalising taxes on assets and wealth. We will remove exemptions and loopholes in the coverage of the newly-simplified capital gains tax (see [b] above) including:
   - Allowing capital losses off against capital gains, because hardworking taxpayers shouldn't be expected to subsidise wealthier people's bad investment decisions.
   - Government gilts & other 'qualifying corporate bonds', because other types of bonds are already included & there's no reason why these should be treated differently.
   - The 'probate value' of a dead person's estate. Instead the reformed capital gains tax will be due when an inheritor sells the asset they've been passed rather than when they first receive it, and will apply to the total gain (after allowing for inflation as explained in [b] above) since the dead person or their ancestor originally acquired it.

Once we have removed these loopholes & exemptions, we will use the proceeds to cut & ultimately abolish economically damaging & distortive taxes on assets and wealth such as Inheritance Tax & Stamp Duty Land Tax.

THE BENEFITS

This reform will:

- Make our economy grow faster by freeing business investment to flow into industries and firms where it will be used most productively, rather than into schemes which are designed to exploit tax loopholes and exemptions regardless of whether they make British firms more dynamic, efficient or internationally competitive.
- Be fairer, because everyone will pay the same rates of tax on their income regardless of whether it is earned through work or from investments, and no matter if they are rich enough to afford complicated and expensive tax advice or not.
- Stop death from causing tax bills, financial problems & economic distortions, on top of the inevitable emotional grief & loss, by cutting or abolishing Britain's most hated tax – Inheritance Tax. This reform will help save thousands of British farms and other family businesses too.
- Free up the housing market by cutting or abolishing stamp duty land tax, making it easier & cheaper for older

THE SOUNDBITES

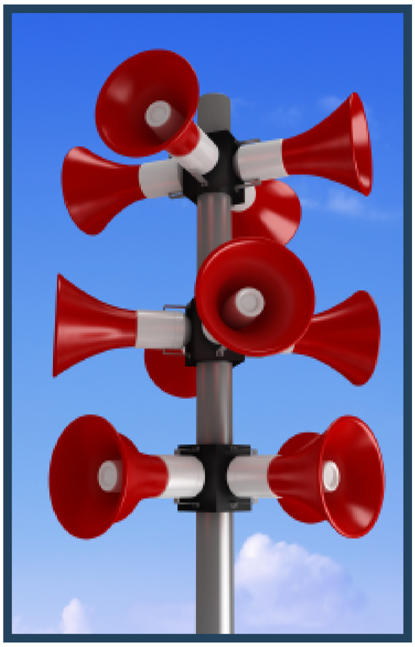
"Let's channel the spirit of Nigel Lawson, the UK's last great tax-simplifying Chancellor, to set our economy free again."

"Simpler, lower taxes let businesses invest in making UK firms more internationally competitive, so British workers & entrepreneurs get richer together."

"Complicated tax schemes & loopholes make a few lucky people & their accountants very happy, but the rest of us pay more as a result."

"Working families currently pay higher tax rates than people with unearned income from investments. That can't be right."

"We're cutting Britain's most hated tax – Inheritance Tax – to save thousands of British family businesses & farms from being forced to sell up."



THE REBUTTALS

1. ***Why on earth are you axing [this or that specific special scheme or loophole]? Don't you care about [the people / the industry which it is supposed to help]?***

We do, but we care about everybody else too. Closing loopholes and special deals means we can release money that currently goes to a few companies or people, and give it back to everyone. We're cutting taxes for the many, not the few, and our economy will grow faster as a result.

2. ***Isn't this just window dressing? You aren't cutting total taxation at all, just fiddling with rates and closing a few loopholes.. When will the Tories cut taxes for real?***

It's a great deal more than that. Simpler, lower taxes will help our economy grow faster, which is vital if we're going to afford lower overall taxes and better public services in future. And cutting Inheritance Tax and Stamp Duty means we're tackling Britain's most hated tax and one of our most economically damaging ones too.

3. ***Why are you giving pensioners such an easy ride by leaving their biggest loophole – not paying National Insurance Contributions – untouched?***

Stopping paying National Insurance Contributions when you retire isn't a loophole; it's the whole point of the State Pension scheme. You pay your stamp while you're working, so you've earnt the State Pension when you retire. It wouldn't be right or fair to make pensioners pay twice.

4. ***Why are you picking on pensioners by increasing taxes on investment income?***

Better-off pensioners who've built up enough unearned investment income to pay taxes on it are already paying less than anyone else, because they are – rightly – exempt from paying National Insurance, and that won't change. Plus they will benefit – along with every other saver and investor too – from allowing for inflation on their capital gains, which will cut taxes the longer they hold each investment.

5. ***How is this 'simpler lower taxes' when you're increasing taxes on investment income and reintroducing inflation indexing on capital gains tax?***

Harmonising taxes on earned income from work & unearned income from investments is much simpler, because we're replacing lots of complicated rates and thresholds with a single, simple scheme, & modern digital tax apps make inflation indexing quick & easy too. And harmonising rates will mean lower rates for the vast majority of people: we're cutting taxes for the many, not the few, and our economy will grow faster as a result. That's economically smart, & it's fairer too, because working families currently face higher tax rates than people with unearned income, which can't be right.

THE REBUTTALS

6. *If you really care about growth, why aren't you reinstating [Business Asset Disposal Relief / the old Non-Dom scheme]?*

No-one can go back in time to reverse the damage Labour has already done to our economy. But the benefits from these reforms of more productive business investment across Britain's entire economy will more than make up for it in future.

7. *Why are you picking on self-employed people by increasing their National Insurance Contributions?*

At the end of the day we all get the same state pension when we retire, whether we were self-employed or worked for a huge corporation, so it's only fair we should all pay in at the same rate too. Simpler taxes will mean lower rates for the vast majority of people, and our new lower business tax rates will be a big help for self-employed people (as well as other types of businesses) as well.

8. *Why are you discouraging risk-taking by stopping people who've made losses on their investments from using them to reduce their capital gains tax?*

Our reduced business taxes will encourage entrepreneurs to invest more in UK businesses, not less. But hardworking taxpayers shouldn't be expected to subsidise bad investment decisions by people are already wealthier than them.

9. *Why are you taxing capital gains on ISAs?*

We aren't. Individual Savings Accounts will keep all their existing tax immunities, but when the owner dies then – quite reasonably – the tax immunity dies with them. The good news is that the person who inherits the investments won't have to pay nearly as much inheritance tax as before. And they won't have to pay capital gains tax unless & until they decide to sell the investments, so they won't be landed with bills they can't afford.

10. *Why are you taxing capital gains tax on homeowners' principle private residences?*

We aren't. No-one has to pay capital gains tax on their home (what the taxman calls their 'principle private residence') at the moment, and that won't change. Under our reforms, when a homeowner dies their inheritors won't have to pay nearly as much inheritance tax or Stamp Duty as before. And if their children decide to live in the property as their principal private residence instead of selling it, then there's no capital gains tax for them to pay either. The only time there's a tax bill will be when an inheritor decides to sell a property rather than living in it, when capital gains tax will apply.