

# Which taxes would you put up, Mr Miliband?

Ed Miliband has accepted the need to deal with the deficit, and promised to set out his plan:

*"Of course we've got to cut the deficit"<sup>1</sup>*

*"I think whoever is the Labour leader will, by the time of the spending review, have to show that they have an alternative plan ... certainly by the time of the spending review on October 20th Labour needs a pretty clear alternative way forward"<sup>2</sup>*

The OBR's estimate of the structural deficit – the part that doesn't come back with growth – is 8.3 per cent of GDP<sup>3</sup>, or £122bn<sup>4</sup>.

Alistair Darling's plan was for 1/3 of the deficit reduction to be in tax rises. By the time of the election, Darling had outlined £21bn of these tax rises. Even to get to this £21bn Darling had to include the infamous tax on jobs that was overwhelmingly rejected by business at the election.

Ed Miliband doesn't think these tax rises are enough:

*"We had two thirds/one third at the election – two thirds from spending cuts – I think that's the wrong ratio. I think we should look to see where we could get more tax revenue from."<sup>5</sup>*

Instead, he talks about a 50:50 split between tax rises and spending cuts:

*"Norman Lamont had a 50:50 balance between taxation and spending to reduce the deficit."<sup>6</sup>*

This is consistent with his call for a return to socialism in the Labour Party:

*"it's my form of socialism which is a more fair, more just, more equal society, and that's the path I will want to take our party on"<sup>7</sup>*

A 50:50 split means £61bn tax rises.

If we assume Miliband is still in favour of all £21bn tax rises put forward by Alistair Darling, including the tax on jobs (is he in favour of the tax on jobs?), and that he can raise £5bn extra tax he now proposes on banks (taxes he opposed in the Labour manifesto he wrote at the election<sup>8</sup>) this still only explains £26bn of his tax rises.

So Ed Miliband needs to set out £35bn more of tax rises to meet his plans.

According to the ready reckoner<sup>9</sup> released by Alistair Darling's Treasury, £35bn is equivalent to:

- £1,373 per household
- 7p on Income tax
- A rise in VAT to 25% (though presumably Ed Miliband is against this?)
- A rise in Corporation Tax to 63p in the pound – assuming no company would relocate
- £1.59 on every litre of petrol

## Which £35bn taxes would you put up, Mr Miliband?

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<sup>1</sup> Andrew Marr, 26 September

<sup>2</sup> Ed Miliband, interview with Left Foot Forward, 8 July 2010

<sup>3</sup> Budget 2010 Table C5

<sup>4</sup> Budget 2010 Table C6

<sup>5</sup> Channel 4, *Labour leadership hustings*, 1 September 2010

<sup>6</sup> <http://www.leftfootforward.org/2010/07/ed-miliband-income-equality-explicit-goal/>

<sup>7</sup> Radio 5 live 29 September 2010

<sup>8</sup> “introduce a global levy on financial services so that banks across the world contribute fairly to the society in which they are based.”; Page 1:5, <http://www2.labour.org.uk/uploads/TheLabourPartyManifesto-2010.pdf>

<sup>9</sup> [http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/24\\_11\\_08\\_pbr\\_taxreadyreckoner.pdf](http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/24_11_08_pbr_taxreadyreckoner.pdf)