

# The 10p Tax Con, Tax Credits and Economic Incompetence

*A letter to the Herald, May 2008*

Sir

Much has been written about the government's recent tax shambles: scrapping the 10p tax rate to fund a headline-grabbing (but small) tax cut elsewhere. Many rubbed their eyes in disbelief at the sight of a Labour government making many of the worst off even worse off.

Bad though it would be for a government to do such a thing deliberately, it is unforgivable to do it by mistake. But that may in fact be what happened: the government so failed to understand its own tax and benefits system that they accidentally left 5.3 million people out of pocket.

At the Parliamentary Labour Party meeting at the start of April, Mr Brown stated categorically that there would be no net losers from the change. He even asked his own backbenchers to write to him if they came across any exceptional case where an individual lost out.

He must have been deluged by those letters. On 6 April, one in every five families was made worse off, as many low earners saw their tax rate double overnight. Here in the South East, the typical nursery nurse was left £171 a year worse off, the average sales assistant £223 worse off. Low-earning under 25s without children, women aged between 60 and 64, and those working less than 30 hours a week, were particularly badly affected.

Mr Brown created Tax Credits as his preferred way to target help to people in need. But the Tax Credits system is so incredibly intricate that you need a PhD in Taxcreditology to make sense of it; the scope for error is legendary. Now it seems it is so complex, even its own creator doesn't understand it.

This has been quite an extraordinary miscalculation. But it should come as no great surprise: the government also got its sums spectacularly wrong on NHS contracts and capital gains tax, and even forgot to add VAT to the cost of the Olympics.

Even the U-Turn on the 10p tax band is unravelling, with conflicting messages from different ministers (or the same minister on different days) about who will be compensated, by how much, and when.

None of it gives the electorate much confidence in Labour's claim that the British economy is safe in their hands.

Yours

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