

General Election Blog on Tax

Tax matters because it is the main way we pay for public expenditure, the public services and social security that we all need. Because women look after others more than men, often at the expense of their own incomes, they use public services more and more of their income comes from social security.

Consequently, the overall level of taxation is a gender issue. Since 2010 there have been a series of cuts to income tax, corporation tax and fuel duty that will cost the country [£41 billion a year by 2020](#). The main beneficiaries of these tax cuts have been men. At the same time women have been hit hardest by cuts to public services and benefits.

So what are the party manifestos promising on tax at this election, and how would their proposals impact on women?

The [Conservative Manifesto](#) states that it is the party's 'firm intention to reduce taxes on Britain's businesses and working families'. The party will continue with plans to reduce Corporation Tax to 17% by 2020, and to raise the personal allowance to £12,500 and the higher rate to £50,000 by the same date. The level of VAT will remain unchanged. The higher threshold for inheritance tax will be maintained. Unlike the 2015 manifesto there is no commitment to maintain current income tax rates or levels of National Insurance contributions, opening the possibility that these may be increased.

Successive cuts to Corporation Tax, including the cuts promised in this manifesto, will cost the country [£13bn a year by 2020](#), nearly enough to provide the [£14bn estimated cost](#) of free social care for all critical needs in England by 2025. Corporation Tax cuts also increase income inequality between women and men, since [the majority](#) of business owners, managers and shareholders are men.

Increases in the personal allowance and the threshold for higher rate tax since 2010 will cost around £19bn per year by 2020 and again largely benefit men. 73% of those who gain from the raised higher rate threshold will be men. Women are 66% of those who earn under the income tax threshold, so do not benefit at all when it is raised. [The IFS has said](#) these cuts in revenue will result in "an incredibly challenging period for the NHS and real cuts to per pupil funding in schools". They question whether this would be deliverable.

The [Labour manifesto](#) argues that 'taxation is what underpins our shared prosperity' but also states that 'we will not ask ordinary households to pay more'. So, there will be no change in the basic and higher income tax rates, but a 45% rate for income over £80,000 a year and a 50% rate for income over £123,000, making the income tax system more

progressive. The Transferable Tax Allowance for married couples or couples in a civil partnership will be scrapped.

There will be no change to National Insurance Contributions or VAT rates. The increase in the inheritance threshold will be reversed - another progressive move. The bulk of the increased revenue Labour will raise will come from raising Corporation tax rates in stages to 26% by 2020/21 with a small profits rate for companies with profits of below £300,000 of 20% in 2018/19 and 21% in 2020/21. This would leave Corporation Tax at a lower rate than it was in 2010, and [still the lowest in the G7](#). Labour is proposing to 'clamp down hard' on tax avoidance and has published a series of proposals which they say would raise £6.5bn by 2022. In total Labour estimates that their tax changes will raise an additional £48.6bn a year.

The Institute for Fiscal Studies has [questioned Labour's figures](#), arguing that there is likely to be a £9bn annual shortfall in the money Labour would be able to raise through their proposed policies because of behavioural responses to its tax rises. This is a somewhat selective consideration of behavioural effects, since many of Labour's policies should also raise extra revenue through stimulating the economy.

Although the changes Labour suggest will make the tax system more progressive, it is risky to rely so much on increasing taxes on the rich and businesses alone. Since the aim is to spend the money on building up public services from which we all benefit, it would be advisable to start making the case for taxation underpinning our shared prosperity by expecting all tax payers to make a small contribution. This could be used to extend the tax system's progressivity by reversing the freeze in working age benefits which hits the poorest in society, who are mostly women, particularly hard.

The [Liberal Democrats](#) are proposing an increase of 1% on income tax at standard and higher rates, to be spent on increasing funding for health and social care. They would reverse the plans of the previous Conservative Government to reduce Corporation Tax to 17%, maintaining corporation tax at 20% and tacking 'tough action' on tax evasion and avoidance. They would also reverse the increase in the inheritance tax threshold and remove the transferable tax allowance for married couples and couples in civil partnerships.

All of these would raise additional much needed funds for public services. However, their manifesto says nothing about the rise in income tax thresholds (introduced by the Coalition Government and heavily promoted by the Liberal Democrats) and they propose to increase the threshold for National Insurance Contributions, until it is in line with the income tax threshold. This will not benefit the very lowest earners (the majority of whom are women) who earn less than the existing NIC threshold, who gain nothing from this sort of tax giveaway.

A fair tax system is crucial if we are to achieve gender equality. Tax cuts since 2010 have largely benefited men at the cost of the services and benefits on which women rely. We welcome the commitments from many of the parties to reverse some of these cuts, but would like to see whoever wins the next election ensures that we have a progressive tax system that enables us to pay for the public services and social security that we need.