

CORBYN'S TAX PLAN FOR YOU AND YOUR FAMILY

Conservative Research Department

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EXECUTIVE SUMMARY

Labour's spending plans mean an annual £2,400 tax rise for every taxpayer in the country.

Using Labour's own numbers, independent analysis, and reasonable estimates, it has been determined that a future Labour government, led by Jeremy Corbyn and John McDonnell, would wrack up a spending bill of **£1.2 trillion** over the next Parliament.

The public have a right to know how they intend to pay for this.

Since the start of 2017, Labour have announced plans to raise around £270 billion. This comes from a variety of sources, including punitive taxes on business, hiking up costs for families and reversing tax giveaways that are vital to millions of people.

£270 billion might sound a lot. But in reality, it would still leave Labour facing a black hole of nearly a trillion pounds.

We know that a Labour government always means higher taxes and more borrowing.

John McDonnell has committed Labour to his 'fiscal credibility rule'. It says a future Labour government will only borrow to invest in capital spending.¹

So we've taken them at their word: Labour will borrow £546 billion for capital expenditure – but they will not borrow for their day-to-day spending of £651 billion. That means they're going to have raise taxes to cover the cost.

Even when Labour's revenue raisers are taken into account, Jeremy Corbyn's Treasury would be looking at a £370 billion black hole on resource spending.

To cover this, Labour will raise taxes – handing an additional £2,400 bill to every taxpayer every year.

And by McDonnell's own admission, Labour would have to borrow to pay for the remaining £546 billion of capital spending.

There's no such thing as free money – and the interest on debt would grow, putting more strain on our public services. This is a debt that would have to be paid for by our children and grandchildren, and put all of the progress we've made getting the UK's economy back on track at risk.

Their borrowing plans will increase Government spending by 30 per cent – three times more than Gordon Brown increased the size of the state. Their plans would double the deficit, undoing a decade's hard work by the British people.

Labour wrecked the economy once. These costings show they would do so again – hammering hardworking families and jeopardising our strong economy – which is so vital for delivering on the people's priorities like improving our schools, boosting our NHS and delivering more police officers.

LABOUR'S TAX BOMBSHELL FOR FAMILIES

'Labour's Fiscal Credibility Rule does not allow for borrowing for day to day spending. Under our rule, drafted by leading economists, only borrowing for long term investment is allowed.'

John McDonnell
Twitter, 6 January 2019²

Labour have racked up an extra £1.2 trillion spending over the next Parliament...

	<u>£ million (over five years)</u>
EXPENDITURE	
<u>2017 Manifesto</u>	
Labour's costing of their manifesto (day-to-day)	-243,000.0
Uncosted day-to-day spending	-22,731.0
Labour's costing of their manifesto (capital)	-125,000.0
Uncosted capital spending	-220,477.0
TOTAL 2017 SPENDING	-611,208.0
<u>Post 2017 Manifesto</u>	
Total new resource spending	-385,738.0
Total new capital spending	-201,133.5
TOTAL NEW SPENDING SINCE 2017 MANIFESTO	-586,871.5
TOTAL CAPITAL SPENDING OVER FIVE YEARS	-546,610.5
TOTAL RESOURCE SPENDING OVER FIVE YEARS	-651,469.0
TOTAL SPENDING OVER FIVE YEARS	-1,198,079.5

Labour will be facing a black hole of almost £1 trillion...

INCOME	
REVENUE RAISERS AND COST REDUCTIONS	
Labour's 2017 manifesto	236,600.0
Ministry of Housing, Communities and Local Government	
Holiday Homes Tax	2,800.0
Department for Digital, Culture, Media and Sport	
Mandatory levy for gambling companies	625.0
Department for Education	
Supply teacher system	2,780.0
Department for Health and Social Care	
Extension of Soft Drink Industry Levy	120.0
Tobacco industry levy	720.0
Home Office	

Immigration detention	218.0
Ministry of Justice	
Short sentences	415.0
HM Treasury	
Inclusive ownership fund	10,000.0
Revenue from renationalised industries	16,855.0
Department for Work and Pensions	
Housing benefit	6,000.0
TOTAL REVENUE RAISERS	277,133.0
NET TOTAL OVER FIVE YEARS	-920,946.5

Labour would only borrow for capital expenditure. But more than half of Labour's spending is day-to-day, which will have to be paid for through higher taxes...

DAY-TO-DAY NET TOTAL	
RESOURCE EXPENDITURE	
Labour's costing of their manifesto (day-to-day)	-243,000.0
Uncosted day-to-day spending	-22,731.0
New resource spending	-385,738.0
TOTAL RESOURCE SPENDING	-651,469.0
INCOME	
Revenue raisers from 2017 manifesto	236,600.0
Revenue raisers since 2017	40,533.0
TOTAL REVENUE RAISERS	277,133.0
NET TOTAL ON DAY-TO-DAY SPENDING	-374,336.0

Labour's black hole will mean higher taxes for everyone...

- **Labour's day-to-day black hole means that each individual taxpayer in the UK could see their income tax rise by £2,400 a year.** By their own fiscal rules, Labour are not allowed to borrow to fund the £650 billion of day-to-day spending commitments they have made, and would instead need to raise taxes. They have committed to £277 billion in revenue raisers, meaning they have a gap to fill of £374 billion. There are 31,199,000 income taxpayers in the UK, who would each need to pay an extra £12,000 over five years, or £2,400 a year, to cover Labour's gap.³
- **The average person would have to work an extra 30 days to pay off this increase.** The median weekly wage is £479 – or £394 after tax (under current plans). This is equal to around £78.80 a day, so £2,400 is equivalent to 30 days of work. This is based on 30 calendar days including weekends, so in reality it would take more than six weeks of working Monday to Friday to pay off.⁴
- **This can be averaged across the regions, as shown in the table below.**⁵

	Number of people hit by a tax rise	Annual tax increase
North East	1,140,000	£1,600.08
North West	3,290,000	£1,822.70

Yorkshire and the Humber	2,440,000	£1,699.55
East Midlands	2,220,000	£1,852.66
West Midlands	2,600,000	£1,802.88
East of England	3,060,000	£2,608.24
London	4,260,000	£4,312.06
South East	4,700,000	£2,991.93
South West	2,740,000	£1,941.95
Wales	1,380,000	£1,481.02
Scotland	2,600,000	£1,997.73
Northern Ireland	739,000	£1,525.87

Labour will have to oversee a huge increase in immigration to fulfil their spending plans...

- **Paul Johnson of the Institute for Fiscal Studies said Labour’s ‘absolutely enormous increase’ in public spending would likely stall because there would not be enough workers available to upgrade schools, hospitals and council houses.** ‘He said the proposals would be “physically impossible” to implement and that Labour’s borrowing plans could see “national debt at a high level relative to where it was anytime since the mid-Seventies”’.⁶

TAXES LABOUR MAY CONSIDER TO FILL THE GAP

- **A homes tax.** A Labour policy document called for a new ‘progressive property tax’, which would see the average household pay £375 more on property tax than under the current Council Tax system.⁷
 - **This is expected to raise £10.2 billion a year.**⁸
- **A movers’ tax.** A Labour Party policy document states: ‘Applying a capital gains tax to main residences too would allow us to limit the wealth inequality arising from the housing boom’. Scrapping the Capital Gains Tax exemption on main homes would force owners to pay income tax on the profits when they move home – and lead to a ‘double whammy’ levy on their estates when the owners die.⁹
 - **Such a tax could raise £28 billion a year.**¹⁰
- **A gifts tax.** Labour proposes a new ‘lifetime gifts tax’ on cash or homes given to individuals during the course of their lives. ‘Under this system, tax would be levied on the gifts received above a lifetime allowance of £125,000. When this lifetime limit is reached, any income from gifts would be taxed annually at the same rate as income derived from labour under the income tax schedule.’¹¹
 - **This is expected to raise an additional £9.2 billion a year.**¹²
- **Fuel duty hikes and increased holiday taxes.** Shadow Transport Secretary Andy McDonald has said: ‘Fuel duty, frozen since 2010 ... Air passenger duty in aviation, broadly frozen over a similar period ... This is not a sensible approach to transport policy’.¹³
 - **Increasing fuel duty is expected to raise up to £855 million a year; raising Air Passenger Duty could raise £300 million a year.**¹⁴

But even all of these taxes combined wouldn’t plug the hole, leaving Labour with nowhere left to turn except increasing income tax on hardworking people...

- **Over five years, these proposed taxes would raise £242.8 billion – leaving more than £131 billion still to fund.** These taxes would raise around £48.6 billion annually, or £242.8 billion over five years. There is still a black hole of £131.6 billion – or £26.3 billion annually – that Labour would need to fill.
- **Jeremy Corbyn has already suggested he could put up income tax.** He said: ‘We have to talk about tax. The basic rate of income tax was 25 per cent a generation ago; now it’s 20 per cent... if we want dignity for all in old age, then it has to be paid for’.¹⁵

LABOUR WILL SEND BORROWING SOARING

It's not just taxes Labour will raise. John McDonnell has deliberately changed Labour's fiscal rule to let him borrow record amount...

- **Labour would increase Government spending by 30 per cent – three times more than Gordon Brown increased the size of the state.** Between 2007-08 and 2009-10, Gordon Brown increased the size of the state by 10.3 per cent, with total managed expenditure rising from £760.8 billion to £838.9 billion. Jeremy Corbyn's Labour Party would increase expenditure by an average of £239.6 billion a year. This is 29.1 per cent higher than the 2019-20 expenditure of £824.2 billion.¹⁶
- **Labour's plans would double the deficit.** Under Labour's plans for capital spending the deficit would double, reversing many years of our hard work to bring the nations finances back in order.¹⁷
- **Under Labour's new fiscal rules, debt will rise and can continue to rise indefinitely and uncontrollably.** John McDonnell has rewritten Labour's rule for debt – meaning they could recklessly spend money at the expense of future generations. Under our new rules, debt will be lower at the end of next Parliament, while still allowing for step-change in investment.
- **The IFS said Labour's spending splurge would take borrowing to levels not seen since the 1960s, when we were still paying off war debt.** They said that Labour's plans could lead to borrowing surpassing 100 per cent GDP for the first time since 1961. Paul Johnson, director of the IFS, said Mr McDonnell's borrowing plans were 'wholly unprecedented by orders of magnitude'.¹⁸
- **John McDonnell said Labour is prepared for a negative reaction if they win a general election, including capital flight or a 'run on the pound'.** John McDonnell confirmed Labour had to 'scenario plan' for a 'run on the pound'. Jeremy Corbyn also told the BBC that Labour was right to look at various scenarios.¹⁹
- **Angela Rayner said that Labour's 'high risk' economic strategy could wreck the economy.** Shadow Education Secretary, Angela Rayner, admitted that Labour's economic policies are 'a bit of a shit-or-bust strategy... a high-risk strategy'.²⁰

ANNEX: LABOUR'S CONFIRMED TAXES AND REVENUE RAISERS

2017 MANIFESTO

(figures provided in Labour's Grey Book and multiplied over five years)²¹

Policy	Fiscal impact over five years (£ million)
Corporation Tax	97,000.0
Income tax increases for Top 5 per cent (see below)	32,000.0
Excessive Pay Levy ²²	6,500.0
Offshore Company Property Levy ²³	8,000.0
Labour's Tax Avoidance programme	32,500.0
Extension of Stamp Duty Reserve Tax to derivatives and removal of exemption	28,000.0
VAT on private school fees ²⁴	1,600.0
Efficiency review of corporate tax reliefs	19,000.0
Reversing tax giveaways on Capital Gains Tax, Inheritance Tax, bank levy and scrapping the married persons' tax allowance	18,500.0
Other: savings on Discretionary Housing Payments from scrapping bedroom tax, Soft Drinks Industry Levy spend redirected from capital to revenue, higher rate IPT on medical insurance, reform Controlled Foreign Companies corporation tax regime	13,000.0
Allowance made for additional behavioural change and uncertainty, reducing total tax take	-19,500.0
TOTAL	236,600.0

POST 2017 MANIFESTO

Ministry of Housing, Communities and Local Government

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Holiday Homes Tax	2,800.0
TOTAL:	2,800.0

POLICY DETAIL:

Holiday homes tax

- John Healey: 'The next Labour Government will strike a blow against housing inequality with a new national levy on second homes used as holiday homes'.²⁵

Policy	Fiscal impact over five years (£ million)
Holiday Homes Tax	2,800.0

- Labour estimated that the tax could hit as many 174,000 properties and raise up to £560 million a year.²⁶

Department for Digital, Culture, Media and Sport

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Mandatory levy for gambling companies	625.0
TOTAL:	625.0

POLICY DETAIL:

Mandatory levy for gambling companies

- Tom Watson: 'Labour announced that we would introduce a 1 per cent mandatory levy on gambling companies'.²⁷

Policy	Fiscal impact over five years (£ million)
Mandatory levy for gambling companies	625.0

- A Labour Party Review by Tom Watson and Jonathan Ashworth claimed that the appropriate levy of 1 per cent would raise £135 million per year, or £675 million over five years. The current voluntary gambling levy produces £10 million each year, so this figure deducts £50 million to provide a net value.²⁸

Department for Education

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Supply teacher system	2,780.0
TOTAL:	2,780.0

POLICY DETAIL:

Supply teacher system

- Angela Rayner: 'It's crazy we're spending half a billion pounds a year just on agency fees. That money should be spent on teachers and the badly needed resources our children need to get a world class education, and under a Labour government it would'.²⁹

Policy	Fiscal impact over five years (£ million)
Supply teacher system	2,780.0

- Labour's press release claims that their reforms would save £556 million a year.³⁰

Department for Health and Social Care

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Extension of Soft Drink Industry Levy	120.0
Tobacco industry levy	720.0
TOTAL:	840.0

POLICY DETAIL:

Extension of Soft Drinks Industry Levy

- Jonathan Ashworth: 'I think the so-called sugar tax on fizzy drinks has been a success. I think we should expend that to, for example, milkshakes'.³¹

Policy	Fiscal impact over five years (£ million)
Extension of Soft Drink Industry Levy	120.0

- There is no analysis available as to the impact of including milk-based drinks under the Soft Drinks Industry Levy (SDIL). This costing therefore assumes revenue to the Exchequer would grow by 10 per cent. The SDIL currently raises £240 million a year.³²

Tobacco industry levy

- Jonathan Ashworth: 'Life expectancy stalling & health inequalities widening but would appear Hancock has buckled under pressure from Boris Johnson... Tobacco industry levy shelved'.³³

Policy	Fiscal impact over five years (£ million)
Tobacco industry levy	720.0

- The APPG on Smoking and Health has recommended an annual levy on tobacco companies of £144 million.³⁴

Home Office

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Immigration detention	218.0
TOTAL:	218.0

POLICY DETAIL:

Immigration detention

- Labour conference passed this motion: 'Labour will include in the Manifesto pledges to... Close all detention centres'.³⁵

Policy	Fiscal impact over five years (£ million)
Immigration detention	218.0

- It currently costs an average of £87.71 a day to hold an asylum seeker in detention, compared to £5.39 a day for allowing an individual to wait out their claim while living in the community. In 2019 Q2, there were 1,727 people in detention.³⁶
- Using Home Office tables which break down the time each person spends in detention, and the costs above, the cost of detention in 2019 Q2 was £11.6 million. If these same people had been housed in the community for the same time, the cost would have been £713,400. These numbers has been multiplied by four to find the annual total (assuming the number of people in the system remains relatively stable) and then multiplied by five to get a five-year total.³⁷
- This assumes that all asylum seekers in detention can be housed in the community, whereas in reality this option would be unsuitable for those with, for example, a criminal record.

Ministry of Justice

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Short sentences	415.0
TOTAL:	415.0

POLICY DETAIL:

Short sentences

- Labour press release: ‘Burton will commit Labour to legislating for a presumption against ineffective custodial sentences of less than six months. This will not apply to those who have committed violent or sexual offences’.³⁸

Policy	Fiscal impact over five years (£ million)
Short sentences	415.0

- The NEF estimates that abolishing custodial sentences could save the Government £83 million a year. We have given Labour the benefit of the doubt on assuming this much revenue will be raised, as it does not include the wider costs to society and to the police of having to manage offenders in the community, nor or the cost incurred if they reoffend.³⁹

HM Treasury

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Inclusive ownership fund	10,000.0
Revenue from renationalised industries	16,855.0
TOTAL:	26,855.0

POLICY DETAIL:

Inclusive ownership fund

- Labour plans to require companies with more than 250 employees to put 10 per cent of their dividends into ‘inclusive ownership funds’, with workers receiving up to £500 a year and the rest going to the Treasury.⁴⁰

Policy	Fiscal impact over five years (£ million)
Inclusive ownership fund	10,000.0

- Labour estimated that the policy would raise £2 billion a year.⁴¹

Revenue from renationalised industries

- John McDonnell has consistently claimed that the costs of Labour’s renationalisation policies would be kept down as the ‘the companies’ profits would cover the cost of borrowing needed to finance it’.⁴²

Policy	Fiscal impact over five years (£ million)
Revenue from renationalised industries	16,855.0

- This estimate is based on the profit that is currently generated by the companies Labour plan to renationalise. It is an extremely generous estimate, as it is safe to assume that the Government will not run these industries as efficiently as the private sector, meaning profits will fall. Studies have shown that the water industry, for example, is approximately 64 per cent more productive under private ownership when compared to the time when it was state owned. It is not unreasonable to expect that profits would decrease by a similar figure.⁴³

- Train operating companies reportedly made £3.5 billion in profit over ten years. The water companies made £1.2 billion over five years. National Grid made £1.8 billion profit in 2018-19. The Big Six energy firms made £599 million in profit last year. Royal Mail made a profit of £342 million in 2018-19.⁴⁴

Department for Work and Pensions

SCORECARD:

Policy	Fiscal impact over five years (£ million)
Housing benefit	6,000.0
TOTAL:	6,000.0

POLICY DETAIL:

Housing Benefit

- Labour plan to increase the number of social rented homes by 100,000. According to John Healey, these plans would see the housing benefit bill reduced by £6 billion: 'Working up to building 100,000 new social rented homes a year by the end of this Parliament would not only pay for itself in less than 30 years but provide a net benefit to the public purse of almost £6 billion through lower housing benefit costs'.⁴⁵

Policy	Fiscal impact over five years (£ million)
Housing benefit	6,000.0

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