

Britain: Labour has shifted taxes from rich to poor

By Simon Whelan
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Research by the “free market” think tank, the Centre for Policy Studies (CPS), has revealed how the burden of taxation has fallen heaviest on the working class and the poor under Prime Minister Tony Blair.

The CPS research shows that the poorest households in Britain are now paying a higher share of taxes and simultaneously receiving a lower share of state benefits than before Labour took power in 1997. It finds that if the poorest fifth of British households paid the same share of total taxes and received the same share of total state benefits as they did in 1996-7, they would be at least £500 better off.

For a significant section of the population, making ends meet is an unending struggle. Charles Elphicke is a tax partner in a leading international law firm and author of the CPS study, entitled “Robin Hood or Sheriff of Nottingham?: Winners and Losers from Tax and Benefit Reform Over the Last Ten Years.” He states, “Almost five million households have an average pre-tax and benefit income of just £4,280.”

The extra taxation levied on the poorest fifth of British households since Blair came to power amounts to £56 per household. The total amount of benefit lost amounts to a further £475 for that section of society least able to afford it.

In the immediate post-war period the central tenet of Labour’s reformist programme was a progressively redistributive taxation system. This has been replaced by one that is regressive and targets the poor for taxation, both direct and indirect, in order to shift wealth towards the super-rich. That Chancellor Gordon Brown has been the key architect of this punitive system explodes the efforts to promote him as Blair’s successor based on the claim that he is more traditionally “social democratic.”

Elphicke reveals how the poorest five million British

households pay at least £1,000 in income and council tax on their meagre incomes. The poorest fifth of British households accounted for 6.9 percent of all taxes paid in the financial year 2004/2005—the last tax year for which detailed figures are available. When Labour came to power in 1997 the tax burden upon the poorest fifth of families was 6.8 percent. During the same period the share of state benefits payouts to the poorest Britons dropped from 28.1 percent to today’s figure of 27.1 percent.

The second poorest fifth of British society have fared little better. The average income of this section of working class households is just £11,000—less than half the so-called average wage. This section of the working class, comprising semi-skilled workers and service sector employees, pay 10.1 percent of the nation’s taxes, whilst their share of benefits has fallen from 26.2 percent to 25.2 percent—a loss of £427 per household. This is a staggering situation, with 40 percent of the population earning less than £11,000 and half earning less than £22,000.

The CPS is a pro-Tory body established by Margaret Thatcher and Sir Keith Joseph in 1974 to assist in the Conservative Party’s policy of rolling back the welfare state. It is seeking to make hay at Labour’s expense, but is no means advocating a return to wealth redistribution.

On the contrary, the most privileged social layers are demanding that their own tax burden be further reduced. The highly paid journalists on the *Times* and *Telegraph* newspapers, for example, are promoting the fiction that the upper-middle-classes are paying above the rate of inflation on things like private school fees, council tax and energy costs. The super rich are also being unfairly penalised, they claim, because they spend more on luxury items like sports cars, mansions

and other items whose prices are rising fastest.

Their arguments are based on the claim that the government has shifted from a retail price index (RPI) to a consumer price index (CPI) to measure inflation and set its tax and benefit levels. This excludes house prices, school fees, utility bills and such vital necessities as household servants, they complain.

Indicative of the type of bile directed against the working class is an article by *Telegraph* journalist and media adviser to the Conservative Party, George Trefgarne. He wrote, “So, if you are young and, say, wear tracksuits, live on benefits in a council house, scoff processed food and play computer games, inflation has indeed been non-existent in the past few years. But for middle-class people, who, yes, drink freshly squeezed OJ, and who buy their home and who pay school fees and, of course, taxes—or for older people who require expensive residential care—prices have been shooting up. Perhaps the CPI should stand for the Chav Price Index.”

In reality, the CPI does include house prices, utilities, school fees and servant costs and will also include university fees come the autumn. And whereas the government has switched to the CPI for calculations on inflation, it in fact still utilises the RPI when calculating taxes, benefits and pensions. The RPI includes luxury goods like champagne and private education fees, but these have actually risen at a slower rate than essentials like fuel and housing costs.

According to research carried out by John Hawksworth, chief economist at PricewaterhouseCoopers, it is the poorest section of the working class who have suffered most from the 29 percent increase in energy prices over the last year. This has disproportionately impacted on the poorest third of British households, which spend a greater proportion of their income on energy than the better-off.

Hawksworth has estimated the inflation rate suffered by ten income groups into which he divides the British population based on how they spend their money. Higher energy bills are the reason why since 2005 inflation has become more pronounced for the lowest four of his income groups. The poorest two deciles of British society actually pay higher rates of taxation than the richest 30 percent, mainly due to the proportion of the budgets of poorer families taken up

by energy bills and, to a lesser extent, food costs.

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