

Autumn Budget 2024 – The Liberal Party Response

In light of the recent announcement by the Chancellor that the government will have to plug a £22 billion black hole and the subsequent budget on the 30th of October 2024, The Liberal Party notes with concern some of the announcements made by the Chancellor in the lead up to the budget.

The Liberal Party shares some of the concerns in terms of the state of the public finances and the need for properly funded public services which have been decimated as a result of Tory governance over the last fourteen years; however, the party differs substantially as to how it would tackle the black hole and deal with the state of the public finances.

Firstly, the party would primarily focus its efforts on helping those on the lower end of the income spectrum as well as the millions of SMEs up and down the country which form the backbone of our economy: the party would start by increasing the personal tax threshold to at least £15,000 as well as increase the VAT threshold registration from the current rate of £85,000 to £150,000 for businesses and self-employed with an exemption for businesses and self-employed individuals in their first two years of operations. Furthermore, it would merge income tax and both employee and employer National Insurance contributions into a single system rate to boost transparency.

Secondly, it would reform both Council Tax and Business Rates into a Land Value Tax and substantially devolve power away from Westminster to local government thus allowing local government to raise their own finance without being constrained by central government. In addition, allowing local government more autonomy as to how it funds public services would allow for greater flexibility and thus free more capital to fund other public services beyond the local government remit.

Thirdly, in terms of actually plugging the £22 billion black hole, the party would start by tackling the large quantities of money which are evading/avoiding tax every year – potentially raising upwards of at least £10 billion annually. Moreover, the party would implement a Carbon Tax at £250 per metric tonne – raising an additional £5 billion. Furthermore, the party would also equalise Income Tax with Capital Gains Tax/Dividends Tax which would raise an additional £10 billion.

Fourthly, the party would substantially increase the level of public investment which in turn would foster greater growth in the economy and thus create more jobs. However, the party would not allow public investment as a proportion of GDP to increase beyond 5%, thus maintaining fiscal discipline, whilst also allowing for strategic investment across the cycle in frontline public services. This would ensure that public sector debt falls gradually as a percentage of the overall economy, given trend growth in nominal GDP.

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