

Liberal Democrat Alternative Budget

March 2004



Contents

Page 3	Alternative Tax Plans
Page 4	Key Policy Proposals
Page 4	Key Savings Proposals

Note on applicability

This 'Alternative Taxation & Spending Plans' document is drawn up on the basis of official figures published by the Government. It sets out our major priorities. All our commitments will be reviewed in the light of the revised figures published by the Chancellor in his 2004 Budget, so that we can develop our proposals further in the light of the new figures for future manifestos.

This document contains the priorities of the Liberal Democrat Shadow Cabinet, and policy included is that of the Federal Party, except in appropriate areas where the national policy of the Scottish and Welsh Liberal Democrats, and the Northern Ireland Local Party, takes precedence. Figures presented are calculated on a UK-wide basis, recognising that there may be different priorities in devolved parts of the UK.

Alternative Tax Plans

The tax system as it stands is unfair:

- **UNFAIR:** The richest 20% of people pay 34% of their incomes in tax, the poorest 20% pay 42% of their incomes in tax.
- **UNFAIR:** Council tax is not based on people's ability to pay – often hitting pensioners the hardest.
- **UNFAIR:** Tuition and top-up fees are unfair taxes on students and parents, personal care charges are unfair on the elderly and their families.

The Liberal Democrats would tax incomes over £100,000 a year at 50%. We would also scrap the unfair Council Tax and replace it with a Local Income Tax based on ability to pay.

Money raised from taxing incomes over £100k at 50% would pay for three things only:

1. Scrap tuition and top-up fees for students.
2. Introduce free personal care for the elderly.
3. Keep down the rate of local taxes.

We would also raise around £5 billion by switching money from lower priority programmes to our priorities. Our plans are realistic and deliverable. We would find savings of just 1% of Government spending (£5bn), and spend that money on the people and front-line services who need it the most.

Policy	Income	Expenditure	Source of costing
Abolition of tuition and top-up fees, and reintroduction grants for poorest university students as in Scotland and Wales. This will mean that universities get the money they need, without an unfair tax on students and their families.		Up to £2bn	We will be able to give a definitive cost when the government decide their policy. At present it is costed as an estimate of a maximum of £1bn in top up fees income, £450m to replace existing tuition fees income and £350m for grants for students.
Free personal care		Up to £1bn*	We have taken the cost per head of implementing free personal care in Scotland and extrapolated it to a whole UK level. The government have not provided accurate estimates of the cost in response to PQs in the past.
Tax incomes over £100,000 per year at 50%	£4.7bn		Parliamentary Answer 23 rd January 2003 and subsequent updates by the Inland Revenue
<i>Total</i>	<i>£4.7bn</i>	<i>Up to £3bn</i>	

This will leave a surplus of at least £1.7bn. In the first instance, this will be used to keep down council tax prior to its scrapping and replacement with local income tax.

** Any additional costs of free personal care will be funded out of unallocated funds from the Department of Health.*

Key Policy Proposals

- **An independent audit of the public sector finances.** This would operate just as the Congressional Budget Office in the United States does to make it very difficult for the government to fudge their figures. This would mean higher bond market confidence and lower interest rates for the government. At present monetary policy is credible but fiscal policy is not because it is over dependent on the Treasury's self assessment of its own performance.
- **We endorse the principles of the Gershon review** – and would bank the long term savings made by it as reductions of the deficit. A commitment to achieve a significant part of the identified efficiency gains would head off the risk of a growing deficit and help slow spending growth to stabilise the spending to GDP ratio.
- **Replace all airport departure taxes paid by passengers with a duty paid by airlines** on every plane taking off from a British airport, both passenger and freight.

Key Savings Proposals

- **Scrapping the DTI.** We would drastically cut its budget for industrial support and bailouts by up to £7.5bn over the life of a parliament.
- **Scrapping the Chancellor's Child Trust Fund and using the money for early years education.** The Child Trust Fund will cost £1.25 billion over a Parliament. A much better way to help the next generation is to fund early years education.
- **Scaling back the Eurofighter programme.** Some extravagant and outdated commitments like much of the residual Eurofighter programme should be cancelled, saving a minimum of £2 billion. Some of these resources could be ploughed back into making sure the armed forces are properly equipped, trained and housed.
- **Not introducing ID cards.** Up to £1.5bn can be saved by not introducing ID cards. That money would, we believe, be better spent on increasing the number of police on our streets and providing them with the latest technology to make them more efficient.
- **Making savings in wasteful DEFRA programmes.** As the Haskins report has identified DEFRA is a bloated, inefficient government department many of its 13,000 plus civil servants duplicate and augment the bureaucratic structures of the European CAP. Deep cuts are called for in programmes and staff.
- **Rationalising existing prisons.** We will sell off city centre sites where the buildings are old and incapable of supporting constructive regimes for offenders, while commissioning new PFI prisons to replace them, saving up to £500m over a Parliament. We would also aim to reduce prison numbers by promoting intensive community service and electronic tagging.
- **Selling off assets that would be better placed in the private sector.** We are looking at all public sector assets and a list would include: the Royal Mint; the Defence Export Services Organisation; British Trade International; remaining Motorway Service Station assets; and the Queen Elizabeth II Conference Centre.
- **Cutting the number of ministries and ministers.** We have suggested cutting out four departments and 40 ministers, and moving the Treasury to Liverpool saving £500m over the life of a parliament on office rents and sending a powerful signal to our over centralised bureaucracy. Over £2.5 billion over the life of a Parliament could be saved on office rents along from a more active relocation policy.
- **Scrapping the system of council tax and council tax benefit.** This is estimated by the Chartered Institute of Public Finance Accountants to cost £1.4 billion over a Parliament.