

This week, the Conservatives pledged to introduce a “tax lock,” an unusual move which would legally prohibit them from increasing income tax, National Insurance, or VAT for five years.

The party [retains its earlier promises](#) to take everyone on the minimum wage out of income tax, by raising the personal allowance to £12,500 by 2020; increasing the threshold for paying the 40p rate of tax to £50,000; and lifting the threshold for inheritance tax to £1 million in line with inflation. So what does this mean in practice?

The tax lock means more cuts

Before they introduced the tax lock, Conservatives had already pledged to cut the top rate of tax, reduce corporation tax, and take everyone out of income tax. The tax lock means income tax, VAT, and National Insurance would stay frozen for five years. It would apply to taxes that make up the majority of government revenue.

As well as this, the Conservatives promise to ringfence certain departmental budgets, like foreign aid, and increase spending to others, like the NHS. It should be noted, also, that the Conservatives have not explained how they would cost an increase to NHS spending.

The Conservatives have also promised to eliminate the deficit by 2018.

So they have to find some way of increasing government revenue while at the same time limiting the ways they can get revenue through taxes.

In practice, this means the “tax lock” will most likely be financed by cutting to other departmental budgets very significantly.

The Tories have already said they want to find £12bn of welfare cuts without specifying where they would fall. Earlier this week Danny Alexander revealed these cuts would come from slashing child benefit and child tax credits. The Tories have accused Alexander of “desperate tactics,” but have not denied his claims.

The tax lock could mean higher taxes elsewhere

The tax lock doesn’t actually prevent the Conservatives from raising taxes: it just means that the range of taxes they can choose to raise is smaller.

[They could alter reliefs from income tax, such as on childcare or pension contributions. Then there’s inheritance tax, capital gains tax, corporation tax, stamp duty, air passenger duty, and so on.](#)

It’s also not clear whether the tax lock prevents the government from expanding the “tax base” (in other words, the amount of things that are taxed) to make up for a lack of tax rises.

The tax lock can easily be reversed

The tax lock is a silly idea as its aim is to put the Chancellor in a straightjacket, which means he can’t deliver the most appropriate response to the economic circumstances. But even so, it can also be easily reversed. If there was another financial crisis the day after the tax lock was introduced, the Conservatives could easily introduce an emergency act which would give them the power to raise taxes if necessary. Jolyon Maugham, a tax barrister who advised Labour, said the pledge is “a piece of pure political showmanship.”

What action can be taken?

Restore the principles of progressive taxation

This means that the amount of tax a person pays as a proportion of their income goes up as their income increases. Progressive taxation plays an important role in addressing inequality and should be restored if we are to ensure a fairer tax system that works for everyone. Investment in training and skills.

Reform tax reliefs and allowances

The wealthiest should not enjoy greater subsidies than the rest. For those on the lowest incomes, raising the tax-free personal allowance could make a real difference if it was combined with an increase in the upper limit of national insurance contributions. To ensure that this would be progressive across all income groups it should be combined with higher taxation on the very rich.

Introduce a Robin Hood Tax

to hold global financial systems to account so that they contribute to the common good. A Financial Transactions Tax (Robin Hood Tax) is a tiny tax of about 0.05% on financial transactions which could raise £250 billion a year globally. The Robin Hood Tax is well-tested, cheap to implement and hard to avoid. This sort of tax could also help to slow down markets at times of instability and force those who are investing to take a longer-term approach.

Reform HMRC

The government should introduce a much greater degree of accountability in the form of specific ministerial oversight and the establishment of a Board of HMRC to represent a broad range of tax payers. Investment is also required in order to challenge the suspect activity of corporations with access to extensive legal resources.

What has Class published?

Guide: Election 2015: *What's at stake for the tax system?* <http://classonline.org.uk/pubs/item/election-2015-whats-at-stake-for-tax>

Briefing: What is the 50p tax rate? <http://classonline.org.uk/pubs/item/what-is-the-50p-tax-rate1>

Blog: How an increase in the personal tax allowance widens inequality? <http://classonline.org.uk/blog/item/personal-tax-allowance-how-an-increase-widens-inequality>

Blog: Labour will abolish the non dom rule <http://classonline.org.uk/blog/item/labour-will-abolish-the-non-dom-rule>

Publication: Towards a new tax consensus: Embracing progressive taxation <http://classonline.org.uk/pubs/item/towards-a-new-tax-consensus>

Publication: In Land Revenue: The case for a Land Value Tax in the UK <http://classonline.org.uk/pubs/item/in-land-revenue>

Resource: The Tax Gap <http://classonline.org.uk/library/item/the-tax-gap>

Read more:

- 'Secret' Tory plans for £8bn in welfare cuts exposed by Danny Alexander, Guardian - (<http://www.theguardian.com/politics/2015/apr/29/danny-alexander-tory-plans-welfare-cuts-child-benefits>)
- Cameron pledges to ban tax rises until 2020 <http://www.ft.com/cms/s/0/663896e0-edbb-11e4-90d2-00144feab7de.html#axzz3YtkAU5XP>
- The Tory 'tax lock': a blatant admission that they can't be trusted? <http://www.theguardian.com/politics/shortcuts/2015/apr/29/tory-tax-lock-blant-admission-cant-be-trusted>