



1 December 2014

## CPS Autumn Statement Proposals

# **ELEVEN THINGS THE CPS WANTS TO SEE IN THE AUTUMN STATEMENT**



### **INTRODUCTION**

Despite the recovering economy, the upcoming Autumn Statement (to be delivered on 3 December 2014) is set within the context of a damaging weakness in productivity and slowing deficit reduction. The Chancellor should take the opportunity in his Autumn Statement speech on Wednesday to outline a series of proposals which are all cost neutral (at worst), which will boost underlying growth and which will continue to reform public services.

The following are eleven suggestions to achieve such ends:

#### **1. ABOLISH CORPORATION TAX AND CAPITAL GAINS TAX ON SMALL COMPANIES**

Corporation tax acts as a barrier to investment, innovation and job-creation. The Government should abolish the corporation tax rate for small businesses and the capital gains tax paid by investors in such businesses. In doing so, the Government can raise additional revenue for the Treasury within four years, drive significant employment growth and give small businesses the means to grow and invest. We set out our proposals in detail in [The Road from Serfdom](#).



## **2. SCRAP THE NATIONAL INSURANCE SYSTEM AND INTRODUCE AN EARNINGS TAX**

The National Insurance Fund has shrunk from £53 billion in 2009 to £29 billion in 2013. The fund could actually run out much sooner than the Government expects. The current system of national insurance contributions is not fit for purpose. The system should be scrapped and Employee NICs and Income Tax merged to create a single Earnings Tax. The Earnings Tax would be based on the current personal allowance and marginal Income Tax bands. Our proposals are outlined in [NICs: The end should be Nigh](#).

## **3. DELIVER A GRAND BARGAIN ON NATIONAL ROAMING**

Universal mobile coverage is a desirable goal but the Coalition should first explore a grand bargain with the industry. In return for a package of sensible deregulatory moves which should increase coverage and competition, the industry should keep to a defined timetable to reach universal coverage. The Coalition should keep the option of national roaming if the industry fails to keep to the timetable. Our ideas are set out in [Grand Bargain on Roaming is Possible](#).

## **4. ENACT RADICAL CHILDCARE REFORM**

Childcare costs in the UK are high by international standards for both families and taxpayers. This is locking some parents out of the labour market and preventing some children from getting access to high quality childcare as we argued in [Mothers should be free to choose](#). These inflated costs are in large part due to the strict regulatory framework which governs the market. The Government should carry out radical reforms to improve the funding and delivery of childcare. The CPS will outline our proposals in a new paper to be released shortly.

## **5. INTRODUCE EDUCATION SAVINGS PLANS**

Students will spend a large part of their working lives paying off their university debts. These may rise to above £40,000. The Government should encourage prospective students to build assets from a younger age to help fund their living costs whilst at university. This could be done through targeted Junior ISAs. These tax-free investment accounts could be opened at birth and labelled with a kitemark. Providers of Education Savings Plans would contribute a proportion of their fees into a charity for bursaries. Our proposal is explained in [Introducing Education Savings Plans](#).

## **6. BOOST SKILLS DEVELOPMENT**

The UK has experienced an unprecedented weakness in labour productivity. Without sustained productivity growth, living standards cannot rise in the long term. One important way to increase productivity growth is through skills development. The government should carry out reforms which encourage schools, apprenticeships, universities, welfare programmes and the visa system to equip current and future workers with higher skills. Our proposals are explained in [Mind the Skills Gap](#).



## **7. INVIGORATE THE PATENT SYSTEM**

Patent protection is crucial for the commercialisation of intellectual property. This encourages greater innovation which boosts productivity. The current patent system can be reformed to make it cheaper and faster for SMEs in particular. Patent renewal fees should be abolished, new accelerated patents for SMEs should be established and the application process should be simplified to cut bureaucracy. Our proposals are explained in [Abolishing the Innovation Poll Tax](#).

## **8. INITIATE ANNUAL HEALTHCARE STATEMENTS**

Misuse of the NHS is wasting the UK £1 billion in tax revenue every year. An estimated 51 million unnecessary GP visits every year contribute to this. To help reduce this, annual healthcare statements should be introduced. This would inform users of the NHS which services they had received over the last year and allow them to understand the costs. These statements should also explain if the healthcare services could have been provided less expensively. Our proposal is set out in detail in [How Much Do We Use the NHS?](#)

## **9. INTRODUCE A LIFETIME ISA**

Britons have an average debt per adult equivalent to 115% of average earnings and whilst recent reforms are generally welcome, they do not sufficiently ambitious to create a renewed savings culture. To do this, the Government should create a Lifetime ISA which would merge cash and equity based New ISAs. Lifetime ISAs would be automatically established when a baby's name is registered. The Treasury would contribute 50p for every £1 saved up to an annual allowance of £8,000. This incentive would replace the current tax relief regime. Our proposal is set out in [Introducing the Lifetime ISA](#).

## **10. CREATE PINK ZONES IN THE PLANNING SYSTEM**

The complexity of the UK planning system is inhibiting the building of houses that Britain so desperately needs. A simple and local solution to the planning quagmire is the creation of Pink Zones – dubbed pink because they would provide a diluted regulatory regime compared with the red tape that characterises the current paralysed planning system. Pink Zones would lower barriers to entry for smaller developers, enhance competition and enable a bottom-up approach to urban development. The proposal is set out in [Pink Planning – diluting the red tape](#).

## **11. EMBARK ON A NEW PROGRAMME OF PRIVATISATION**

The privatisation of state owned assets is not only a useful way to raise revenue but has historically injected more competition into markets. The Government should press ahead with plans to sell its stake in Eurostar as well as to privatise Urenco, the state owned uranium enrichment company. In addition, the Crown Estates, the Trust Ports and local authority-owned airports should all also be considered for privatisation. Another example of a state owned asset which the Government should consider privatising is Channel 4 which would benefit from being totally freed from state ownership as we argued in [Free Channel 4 from the State](#).

Adam Memon and Tim Knox  
**Centre for Policy Studies**