



HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Friday, 2 February 2024

Dear Chancellor,

I am writing to you in advance of the Spring Budget next month to urge you to take meaningful steps to reduce the tax burden across the UK. As you know, I am a strong proponent of a low-tax economy. We must take action to create an environment where individuals can strive for success knowing that their achievements will translate into tangible benefits, promoting a culture of ambition and upward mobility. I am therefore asking you to consider implementing a range of reforms that will ensure that the UK is viewed as an attractive place to invest, innovate, work, and live.

It is vital that the Government tackles perverse **marginal tax rates**. Work should always pay, and more work should mean more reward. At its core, this is a moral point: if someone works, they should be the main beneficiary of their labour. Yet, we have high marginal tax rates at various points of the income scale that mean many are receiving a raw deal. To provide some examples, the income tax rate effectively becomes over 62 per cent between £100,000 and £125,140 due to the personal allowance taper. A young professional graduate with earnings of £50,270 has a marginal deduction rate of 52.25 per cent. An individual with three children and £50,000 of income faces an effective rate of 67 per cent due to the high-income child benefit charge. All of these examples have serious implications for the economy. Losing such a large share of your income to taxes creates a psychological barrier that acts as a deterrent to effort and enterprise. I therefore urge you to rebalance these marginal tax rates to ensure individuals are always rewarded for working harder and longer.

Similarly, it is imperative that we address **fiscal drag**. The failure to uprate tax thresholds exacerbates the impact of the marginal tax rates already discussed. Further, this year, inflation is forecasted to drag 7 million people into paying higher levels of income tax. Recent OBR documents have estimated that if we do not address this, nearly 4 million low-paid workers will be paying the 20 per cent income tax rate. Pensioners are also among those impacted, as those receiving the full annual state pension will only need a small amount of extra income - such as from a personal pension, workplace pension, or part-time earnings - to be dragged into the tax net. Three million more people will be dragged into paying the 40 per cent rate. 400K more people will be dragged into paying the 45 per cent rate. It is evident that we must index all thresholds to aggregate prices to protect the legislated tax structure, otherwise we are complicit in a tax hike by stealth. It is not millionaires being dragged into paying these high rates, but contractors, middle managers, teachers and health workers. I urge you to use the Spring Budget to address this, allowing people to keep more of their hard-earned money while lowering the overall tax burden.

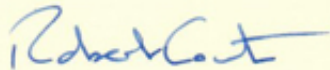
There are a range of other attractive measures that should be considered to meaningfully reduce the current tax burden. **Inheritance tax**, for example, is understandably viewed as deeply unfair and widely unpopular. While the economic reality may make scrapping it entirely difficult, the Government should consider raising the nil-rate band to £1m. Another

measure that should be considered is **allowing married couples to combine their personal tax allowance**. This would allow an individual to support a dependent spouse, which would be especially supportive to young families with children. A direct **cut to income tax** would be welcome. This would reach a significant amount of people across the UK while encouraging social mobility by demonstrating that work pays. Finally, **stamp duty** is a tax diametrically opposed to aspiration and ownership. Reforming it would boost the housing market and lead to a more efficient use of the country's housing stock. This is certainly an area where we should look to be more ambitious.

I firmly believe in a fair and sustainable tax system which ensures that everyone continues to pay their fair share of tax, while also allowing people to keep more of what they earn. The Conservative Party is built on individualism and ambition: we must ensure that our tax system incentivises such. I very much hope you pay careful attention to my suggestions and use the Spring Budget to lay out a clear pathway towards lower taxation for all.

Yours,

Robert

A handwritten signature in blue ink that reads "Robert Courts". The signature is written in a cursive, slightly stylized font.

Robert Courts MP