

**FOR THE
MANY
NOT THE
FEW**

FUNDING BRITAIN'S FUTURE

FOREWORD

This short document shows how Labour will make the taxation and spending decisions in government that will transform and rebuild our country.

After seven years of Conservative failure, we need to break with the past. Investment by businesses is falling. Wages are lower today than they were ten years ago. Under the Conservatives, Britain has become the only major developed economy where wages have fallen, even when the economy has grown.

Our public services have been driven into crisis, even as this government has slashed taxes for the rich. Our National Health Service is under severe strain. Our schools are under-funded. One million vulnerable elderly people are going without the care they need.

And yet this is a country with huge potential. We live in the fifth richest economy on the planet, but that wealth is held in the hands of the few. Too many are in low-paid, insecure work. Too many worry our children will not have the same opportunities we enjoyed.

We can do so much better than this. We are being held back by the failures, not only of this Tory government, but of a system rigged for the benefit of the richest.

It doesn't have to be like this. We could all be living richer lives if we had an economy that worked for the great majority.

That is what Labour aims to achieve. In this pamphlet we publish the costs and funding sources, and reference the research and calculations for each policy proposal.

Every spending commitment is fully costed. Every source of funding is explained.

Labour is setting out our plans in detail because we are confident that, when they are presented before the people of Britain, they will show how a Labour government can transform the country.

This is the most comprehensive costing exercise, provided by any political party, at an election in recent times. It is published to allow informed scrutiny and debate in this election campaign.

Every spending commitment we make today will be overseen in government by an independent Office for Budget Responsibility. We give a cast-iron guarantee not to raise National Insurance contributions or VAT, and not to raise income taxes for 95 per cent of the workforce. We ask only that those at the top pay their fair share.

By creating a fairer system of taxation, tackling tax evasion and avoidance, and encouraging a fairer tax system, we are able to rebuild our NHS, social care, education and other services.

Labour's programme is aimed at transforming our society. It is ambitious for this country, the scale of investment in our public services and our economy matches that ambition.

We present here the foundations of a country built for the many not the few.



Rt Hon John McDonnell
Shadow Chancellor of the Exchequer

SPENDING COMMITMENTS

Footnotes:

Cost (£bn)

National Education Service and Early Years

1,2	Schools: increasing funding, including protection against losses from the new funding formula, free school meals and arts pupil premium	6.3
1, 3	Skills: introducing free FE tuition, equalising 16-19 funding and restoring EMA	2.5
4	Childcare and early years including more money for Sure Start	5.3
5, 6	Removing university tuition fees and restoring maintenance grants	11.2

Health and Social Care

7	Healthcare including free car parking but excluding higher pay and capital expenditure	5.0
8	Social care	2.1
9	Restore nurses' bursaries	0.6

Work & Pensions

10 to 13	Social security: increase ESA by £30pw for those in the work-related activity group, scrap bedroom tax, implement the PiP legal ruling, restore Housing Benefit for under 21s, scrap Bereavement Support Payment reforms, £2 billion of additional funding for Universal Credit for review of cuts and how best to reverse them, uprate Carers' Allowance to the level of JSA	4.0
14	Double paternity pay and paternity leave	0.3
15, 16	State pensions: uprate state pensions for British pensioners overseas, extending Pension Credit to those affected by changes to their state pension age since the 1995 Pensions Act	0.3

Other departments and items not included above

17	Lift public sector pay cap	4.0
18	Introduce a Real Living Wage of at least £10 by 2020 with net fiscal benefits ringfenced to provide support to small businesses	0.0
19	Recruit an additional 10,000 police officers to work on community beats	0.3
20 to 23	Other current spend items: including abolition of employment tribunal fees, additional border guards, firefighters and HMRC tax collection staff	0.6
38	Barnett consequentials (Scotland, Wales, NI)	6.1

TOTAL

48.6

Our Fiscal Credibility Rule reinstates separation between current and capital expenditure. See overleaf for details of our National Transformation Fund.

All numbers are rounded to the nearest £100 million. Where a 2021-22 estimate is not available, estimates have been updated using OBR forecasts of average earnings growth, CPI and/or nominal GDP.

All figures relate to 2021-22 to make long-run sustainability clear. Where numbers appear different to those seen elsewhere it may be that they relate to different fiscal years.

A Labour government will give local government £1.5 billion of extra funding for next year (2018/19) and initiate a review into reforming council tax and business rates and consider new options, such as a land value tax, to ensure local government has sustainable funding for the long term.

TAX MEASURES

Footnotes:		Yield (£bn)
24, 37	Corporation tax (see below)	19.4
25, 37	Income tax increases for Top 5 per cent (see below)	6.4
26	Excessive Pay Levy	1.3
27	Offshore Company Property Levy	1.6
28	Labour's Tax Avoidance programme	6.5
29	Extension of Stamp Duty Reserve Tax to derivatives and removal of exemption	5.6
30	Efficiency review of corporate tax reliefs	3.8
31 to 33	Reversing tax giveaways on Capital Gains Tax, Inheritance Tax, bank levy and scrapping the married persons' tax allowance	3.7
34	VAT on private school fees	1.6
35, 36	Other: savings on Discretionary Housing Payments from scrapping bedroom tax, Soft Drinks Industry Levy spend redirected from capital to revenue, higher rate IPT on medical insurance, reform Controlled Foreign Companies corporation tax regime	2.6
37	Allowance made for additional behavioural change and uncertainty, reducing total tax take	-3.9
TOTAL		48.6

NATIONAL TRANSFORMATION FUND

A £250 billion fund for investment in infrastructure – transport, energy systems, communications – scientific research, and housing fit for the 21st century.

Our country and its people have been held back by a lack of investment in the backbone of a modern economy – the infrastructure of transport, communications, and energy systems. Under a Conservative Chancellor, government investment has fallen by £10 billion. Private investment is falling. Those at the top are choosing not to invest in the potential of our people.

Labour will make different choices. We will take advantage of near-record low interest rates to create a National Transformation Fund that will invest

£250 billion over ten years in upgrading our economy. We will ensure that the huge potential of every part of our country is met. Using this fund, Labour will build new high-speed railways, extending HS2 into Scotland. We will build a Crossrail for the North, tying together our great northern cities. We will build a new Brighton Mainline for the south-east. And we will deliver rail electrification and expansion across the whole country, including Wales and the south-west. We will transform our energy systems, investing in new, state-of-the-art low carbon gas and renewable electricity production. We will deliver universal superfast broadband availability by 2022. And we will build on Britain's immense scientific heritage, delivering the research funding needed to create an economy fit for the 21st century.

FOOTNOTES

- 1 "Labour's proposed boost to education spending", Institute for Fiscal Studies, May 2017
Free school meals funding costing based on House of Commons Library figures on unit cost and take up
- 2 "Financial sustainability of schools", National Audit Office, December 2016
- 3 Based on EMA costs before abolition and assuming same level and similar proportion of students qualify.
- 4 Costings based on estimates from "Creating an anti-poverty childcare system", Joseph Rowntree Foundation / Family and Childcare Trust, January 2016
Sure Start costings based on FOI requests on closures and National Audit Office report on average Sure Start running costs
- 5 Based on provisional English figure for Student Loan Company loan outlay 2016-17. The final figure may be lower as this will not incorporate planned fee waivers or withdrawals before Term 3.
See also "The cost of abolishing tuition fees", Andrew McGettigan, May 2017
- 6 Spending on maintenance grants in the last year before abolition was £1.57bn (2015-16 prices)
- 7 Cost of car parking from Freedom of Information requests reported in Daily Mirror, 28 December 2016
- 8 Estimate of £1.9bn immediate need from Kings Fund, Nuffield Trust and Health for immediate shortfall before Better Care Fund money announced in Spring Budget. 2019/20 estimate of £2.1bn shortfall from Health Foundation general election briefing.
- 9 Govt cost assessment https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/552197/NHS_Bursary_EIA.pdf
Cf also <https://londoneconomics.co.uk/wp-content/uploads/2016/05/UNISON-NUS-Report-Nurse-fees-and-funding-24-05-2016-FINAL-VERSION-LONDON-ECONOMICS.pdf>
- 10 Employment Support Allowance and Bereavement Support Payment: Spring Budget 2017 Table 2.2
- 11 Office for Budget Responsibility: Policy measures database
Bedroom tax and Housing Benefit for under 21s
- 12 Costing from Government impact assessment https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593392/pip-assessment-criteria-equality-analysis.pdf p24
- 13 Carers' Allowance costings based on existing rates adjusted for inflation and with resultant savings on means-tested benefits
- 14 Costing based on current rates and inflation forecasts, the introduction of Labour's Real Living Wage and an average full-time working week of 39.2 hours (ASHE 2016)
- 15 Costings estimated by House of Commons Library
- 16 Estimate for uprating of state pensions abroad: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01457>
- 17 According to government, this policy was to cost £5bn over four years (average £1.25bn per year). We have re-costed with more conservative assumptions and set aside £4bn. Actual costs will be reduced due to overlap with Real Living Wage policy where costs have been estimated twice.
- 18 Previous studies from KPMG, Institute for Fiscal Studies, IPPR and Resolution Foundation all indicate a net benefit to the public finances from introducing a living wage. Estimates of magnitude vary but net receipts are ringfenced for support for firms who need help with introducing the Real Living Wage.
- 19 Based on current paycales <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2016-06-15/HL737/>
- 20 Govt cost estimate https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587649/Review-of-introduction-of-fees-in-employment-tribunals.pdf
- 21 Based on Home Office staff costs
- 22 Based on average salaries for firefighters
- 23 Based on HMRC staff costs
- 24 Raising the headline rate to 21% from 2018-19, 24% from 2019-20 and £26% from 2020-21. Small Profits (below £300,000) rate is 20% from 2018-19 and 21% from 2020-21
"Ready Reckoner" includes behavioural change 2013 Ready Reckoner for assumptions on relationship between headline and small profits rate
- 25 Lowering the threshold for the 45p additional rate to £80k (Top 5%) and reintroducing the 50p rate on earnings above £123k. Scotland has independence over income tax rates so headline figures adjusted for this.
- 26 The Excessive Pay Levy is a payroll tax, charged against the employer of any individual earning more than a defined limit (from all sources). It is levied as a percentage of the total compensation above the lower limit; where an individual is engaged through an intermediary structure, it is levied on the structure. The principle is to charge employers for paying exceptionally high rates to individuals. With a starting rate of total compensation charged to the employer for those paid over £0.33m, based on HMRC Survey of Personal Incomes data, the total amount raised would be over £1.3bn (including behavioural impact). Source for data: HMRC (March 2017), "Personal income tax by year: income and deductions, 2014-15", Table 3.5. See also CLASS, "The Need for An Excessive Pay Levy": <http://classonline.org.uk/blog/item/the-need-for-an-excessive-pay-levy>
- 27 The Offshore Company Property Levy is a charge made against purchases of residential property by offshore trusts located in known tax havens, based on the blacklist of tax havens that HMRC will develop. It is similar in principle and application to the 15% levy Toronto has recently applied to foreign owners, or that Singapore and Hong Kong have maintained for a number of years, but is more tightly focused on specific forms of ownership associated with tax avoidance. Using available data sources, independent assessment by tax specialists suggest that a 15% levy on the property sale price will raise £3.5bn annually before allowing for behavioural impact. Source: Sikka, P. (April 2017), "Offshore Trust Levy". Data from Land Registry and Private Eye calculations.
- 28 Linked to Labour's ambitious programme to tackle tax avoidance and evasion and lying between the Conservatives' and Labour's own commitments from the 2015 manifestos
- 29 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2908464
"Improving Resilience, Increasing Revenue: The Case for Modernising the UK's Stamp Duty on Shares" - Avinash Persaud, 2017
- 30 The UK has a system of tax reliefs and tax-planning legal structures designed to encourage economically beneficial behaviour, but reliefs and tax-planning structures are often poorly targeted and fail to achieve their stated aims. A Labour government will initiate an immediate independent review of the efficiency, range, and scope of business tax reliefs and tax-planning structures like trusts. Our expert-led review will ensure the money that the public invest in tax reliefs is the most effective way of achieving the desired objectives. Our review will examine reform of all existing schemes, re-targeting the design of reliefs to give stronger incentives for economically beneficial business choices. Where reliefs do not provide any demonstrable benefit, our review will consider their removal, reform, or replacement with more effective incentives, such as grant schemes to encourage business investment, and we will make recommendations on the structuring of legal vehicles used in tax-planning. Public expenditure on business tax

reliefs alone amounts to an annual investment of £40bn, and it is anticipated that our review will deliver at least £4bn in immediate direct savings from reform or removal of ineffective reliefs, alongside changes to the law concerning tax-planning legal structures, in addition to encouraging significant additional private investment, growth and consequent increased tax receipts from better targeted incentives. We will establish a coordinated system of business incentives, replacing the haphazard approach of complex reliefs that has grown up under the Conservatives. Following our initial comprehensive review, we will put in place permanent ongoing review mechanisms to ensure public expenditure on tax reliefs and incentives remains effective and prevent abuse of the available schemes.

31 Budget 2016

32 Spring Budget 2017 Table 2.2

33 OBR database

34 Fabian Review, January 2011

35 Estimates of raising IPT on medical insurance: LaingBuisson, Health Cover (13th Edition) 2016

36 The Conservative government has opposed efforts, as part of the OECD Base Erosion and Profit Shifting programme, to reform the international treatment of Controlled Foreign Companies. As part of Labour's approach to corporate taxation, seeking to redress the imbalances in our tax system, Labour is committed to a review and comprehensive reform of the CFC system that will close the scope for avoidance. By 2021-22, using OBR forecasts, we estimate this will raise £0.7bn.

37 Owing to the inherent difficulty of forecast receipts from new taxes, bands and thresholds, we have allowed for a degree of uncertainty and not allocated full tax receipts from the listed measures.

38 Here the majority of assumptions (on population ratios and comparability factors) have been taken from those used in the Spending Review 2015

