



Labour tax and spending lies

The Dodgy Dossier

Labour's Dodgy Dossier unravels

Labour have kicked off their election campaign with the launch of a dodgy dossier that raises more questions about them than it does about us:

- In an astonishing gaffe, Alistair Darling contradicted Gordon Brown's allies and admitted that VAT may go up under Labour: "every Chancellor at every Budget will look at all the options open to them" (Alistair Darling, Labour press conference Q&A)
- He was also unable to refute reports that his spending plans imply real terms cuts of 17% in non-ring-fenced departments.
- And Labour's dodgy dossier has already fallen apart under scrutiny as a mixture of lies, deliberate misrepresentations and embarrassing admissions that Conservative policies would actually cost less than we have budgeted for.

Three examples alone illustrate £11.2 billion of Labour lies on tax:

- Labour's dossier includes a £2.4bn cost of abolishing the 50p tax rate, but we have been very clear that we have not pledged to reverse this measure.
- The dossier also includes a £3.6bn cost for reversing the restrictions on pensions tax relief for higher earners, but again we have not pledged to reverse this.
- And the dossier includes a further £5.2 billion for abolishing stamp duty on shares, but this is not Conservative Party policy and never has been.

Labour have deliberately misrepresented the cost of our spending commitments:

- Their figures on Swedish style school reforms suggest that we would increase the number of school pupils – rather than increasing the number of places.
- Their figures on health visitors are based on twice the number of new health visitors that we have actually pledged. Labour have costed 8,712 health visitors but we have pledged to deliver 4,200.

In several cases Labour’s calculations actually show our policies costing less than we had budgeted for:

- Our policy to abolish stamp duty for first time buyers costs £300m according to Labour, less than the £400m we had budgeted for and funded with a levy on all non-doms.
- Our policy to cut the main rate of corporation tax by 3p costs £2.5bn according to Labour, less than the £3.7bn we had budgeted for and funded by reducing complex reliefs and allowances.

Nobody will ever believe anything Labour say on tax and spending. At the last election they claimed Conservative policies would cut £35 billion from public services, but using the same methodology Labour’s own plans imply cuts of more than £80 billion.

Labour are claiming today that there is a £34 billion gap in our spending commitments, but just three months ago they claimed the “black hole” was only £10 billion – they are clearly making it up as they go along:

“They have got £10bn plus of a black hole to fill and that will be found in cuts in schools and hospitals” (Ed Balls, The Politics Show, BBC, 20 September 2009)

Point by point rebuttal of Labour's dodgy dossier

Reducing taxes on savings (page 11)

This policy was explicitly proposed as a submission for the 2009 Budget, and would have been funded by a £5bn reduction in spending in 2009-10 relative to Labour's plans. Given that Labour sadly ignored our submission and spent the money on other things we have made it clear that we have not to date committed to introduce this policy after the election.

Reducing the main and small companies' rates of corporation tax (page 12)

As Labour's own numbers show, this policy is fully funded by reducing reliefs and allowances. In fact they admit that their numbers show that this policy is less expensive than we had budgeted for:

"Since the Conservatives published their costings of this policy, HM Treasury's PBR09 "Tax Ready Reckoner" has been published, showing a lower costing for these tax reductions." (Labour document, page 12)

Freeze council tax for two years (page 14)

The IFS supported our costing of this policy at £1bn (if implemented immediately in 2009/10 and by every council). We will fund this policy through by reducing consulting and advertising spending (see rebuttal to page 56)

Reduce employers' NICs for some small companies (page 17)

Labour agree with our costing of this policy. As George Osborne explained at our party conference, this policy will be funded by using a small proportion of the savings from the spending cuts he announced at the same time.

Abolishing Stamp Duty on shares (page 19)

This is not Conservative Party policy.

But in costing this policy, Labour's dodgy dossier makes the spectacular admission that Gordon Brown's pensions tax raid has taken £5 billion a year out of people's pension pots.

Tax cuts for married couples (page 21)

The tax cut that Labour have costed is not Conservative Party policy. We have pledged to recognise marriage in the tax system. There are various different ways in which that could be done which may cost much less.

Inheritance tax cuts (page 25)

Our policy to raise the IHT threshold to £1 million is fully funded from a levy on all non-doms, not just the 20% of non-doms who have been in the UK for 7 years and are therefore affected by Labour's levy.

Labour ministers have admitted in the past that the data required to cost a levy on non-doms does not exist. We have made a series of cautious assumptions in order to estimate the revenues that would be raised (see rebuttal to page 43).

Stamp Duty reduction for first time buyers (page 27)

The £300m estimated cost of this policy is less than the £400m that we had budgeted for. This policy is fully funded from a levy on all non-doms, not just the 20% of non-doms who have been in the UK for 7 years and are therefore affected by Labour's levy (see rebuttal to page 43).

Avoid increases in NICs (page 31)

The dossier is right that avoiding Labour's tax rise on anyone earning over £20,000 is our "number one priority" on tax, but it also points out that we have not pledged to do this:

"Although he won't give a pledge, he says: 'I will do everything I can to avoid that tax rise'."
(Labour dossier quoting *The Times*, 12 December 2009)

Oppose Broadband levy (page 34)

Labour's attack is factually incorrect. We will abolish Labour's broadband levy because we do not need these revenues to achieve a national roll-out of high speed broadband. Instead, we will unleash billions of pounds of private sector investment by forcing BT to open up its infrastructure to allow other operators to deliver super-fast broadband across the country.

Reverse restrictions on pension tax relief (page 35)

This is a Labour lie. We have been very clear that we cannot pledge to reverse this tax increase or any of Labour's other tax increases on higher earners.

Abolish 50p rate for higher earners (page 37)

This is another Labour lie. We have been very clear that we cannot pledge to reverse this tax increase or any of Labour's other tax increases on higher earners.

Abolishing investment allowances (page 41)

These changes are part of our fully funded commitment to reduce the headline rate of corporation tax. Labour's numbers show that the proposed changes actually raise more than we had budgeted for.

Non-domicile Levy (page 43)

Labour are using unreliable figures to give a totally unrealistic costing of this policy. Labour Ministers have admitted that the data necessary to cost a levy on non-doms does not exist because data on foreign earnings of non-doms is not collected:

- “Estimates of the tax foregone in the UK as a consequence of the use of the remittance basis by those not domiciled in the UK are not routinely made. Information is not held on overseas income and gains that do not give rise to a tax liability in the UK.” (Ed Balls MP, Hansard, 30 Apr 2007, Column 1383W)

This has been confirmed by the Permanent Secretary to the Treasury:

- “The Economic Secretary's reply remains correct: there is no complete data set for the unremitted foreign income of non-domiciles, and the costing does not contain any such estimate.” (Sir Nicholas McPherson, letter to George Osborne, 3 October 2007)

And this is why Treasury civil servants warned that official figures needed to be “treated with a great deal of caution”:

- “All figures are best estimates but need to be treated with a great deal of caution due to the lack of available data or evidence.” (HM Treasury FOI release, 3 October 2007)

Savings on employment and skills programmes (page 49)

Labour have simply repeated the savings we will make in order to fund our back to work and skills programmes – see rebuttals to pages 88 and 92. These plans were costed by David Freud, who was the Government’s own welfare adviser.

Reduce spending on Building Schools for the Future (page 53)

As Labour’s document admits, we have always been clear that we will reallocate of some of the existing Building Schools for the Future funding to pay for our Swedish-style New Academies. Labour have accepted our estimates of the capital costs of this policy.

Reduce eligibility for Child Trust Funds (page 55)

Labour have accepted our costings of this policy.

Reduce government spending on consultants and advertising (page 56)

We will fund our council tax freeze by reducing consulting and advertising spending (see rebuttal to page 14). Labour have frequently promised to make efficiency savings but never delivered. For example, the NAO have said that three quarters of the Gershon savings claimed by the Government are not “reliable”.

Waste and inefficiency remain endemic after twelve years of Labour government – indeed spending on advertising and marketing has more than tripled since 1997. Labour cannot be trusted them to deliver on their promise to reduce consultancy and advertising spending. Only the Conservatives will deliver on efficiency savings.

Reduce “bureaucracy” spending by a third (page 58)

Labour’s dossier doesn’t dispute our figures, but they claim that they will achieve some of the efficiency savings that George Osborne set out in his conference speech. However, Labour’s track record on efficiency suggests they will never be able to deliver these savings. ONS figures show that public sector productivity has actually declined under Labour.

Welfare savings (page 61)

Labour have not made clear what rate of benefit will be paid to those who are assessed as no longer unfit to work. In addition the 2008 Budget in which the new testing regime was announced assumed that there would be no savings from the benefits bill as a result. We have said that for those people who fail their reassessment for Incapacity Benefit we will only pay Jobseeker's Allowance rates, which are £25 a week less than long term Incapacity Benefit. This will save around £600 million over a three year reassessment period. When Conservatives announced this policy Government ministers described it as "callous" – they can't credibly claim at the same time that it doesn't save any money.

In addition, Conservatives have set out plans for radical welfare reform going far beyond the help on offer from Labour. In particular we will offer the 2.6 million people on Incapacity Benefits, currently ignored by Labour, proper support back into work.

Scrapping contact point (page 63)

Labour have simply provided figures on the savings delivered by this policy.

NHS IT Programme (page 65)

Labour have already spent £3.5 billion on the calamitous NHS supercomputer, which was initially planned to cost £2 billion - and IT experts have shown that the final cost to taxpayers could be £20 billion. Scrapping this disastrous and ineffective project will free up funds for improving frontline health services. Alistair Darling announced plans to do the same in December until he was forced into a u-turn.

Reduce eligibility for tax credits (page 68)

Our estimates that this policy would save £400m were verified by the independent Institute for Fiscal Studies.

Freeze pay and cap pensions for public sector workers (page 70)

Labour's analysis of our policies concedes that our plans will save an additional £1.5 billion a year, over and above Labour's claimed savings. In addition, Labour's document also confirms that our policy to cap the largest public sector pensions will not affect benefits already accrued.

Reduce spending on Sure Start outreach workers (page 72)

Labour have totally misrepresented our health visitor policy – we are committed introducing additional 4,200 health visitors (see rebuttal to page 115). We will pay for our health visitor policy by diverting spending from the ‘outreach workers’ budget within the existing Sure Start budget and from the Department of Health budget, where we have pledged real increases.

Regional Development Agencies (page 74)

As the dossier makes clear, our policy would allow RDAs to remain where local councils judge that they deliver value for money, so it is not possible to calculate how big any savings would be. We have not allocated savings from this policy to pay for any other pledges.

Regional Assemblies (page 76)

Labour have accepted our costings of this policy.

Scrap identity cards (page 77)

According to the Home Office’s latest cost report over the next ten years there will be ID card specific costs of over £800 million. This is a valuable contribution to reducing the deficit.

Cutting the number of MPs and some Parliamentary and political costs (page 79)

Labour have not found fault with any of our costings. However, for some reason they have excluded our plans to cut the number of ministerial cars (saving £4.5m per year).

Scrap the Trade Union Modernisation Fund (page 81)

As Labour's own costings show, the Trade Union Modernisation Fund is worth millions of pounds a year. Their attack proves that taxpayers' money is being handed to trade union bosses by Labour ministers reliant on union donations.

Increase the state pension age (page 82)

The dossier is correct that this policy will not generate any savings in the next Parliament. We have never claimed otherwise.

45,000 new single rooms in the NHS (page 85)

The Treasury already released this back-of-the-envelope costing in October 2008. They still haven't said where they got their data from – our costing is based on precise figures given by hospitals in response to FOI requests. The unit costs per single room in the DH results are not supported any such data.

As our draft manifesto shows today, we are only committed to increasing the number of single rooms over time, and within existing resources. To suggest otherwise is deliberately misleading.

Back to work programmes (page 88)

Labour have inflated the costings of these policies in several ways. First, not all of our Get Britain Working programmes will run for the full five years of the Parliament, yet all the costings are included for the entire period. Second, the cost of the Work Programme begins to decline rapidly in the third year as savings come through from getting more people back into work - therefore Labour's Work Programme costs from 2012/13-2014/15 are grossly inflated.

Under our proposals, the back to work programmes are fully funded by refocusing train to gain funding, the New Deals and employment programmes (as described on page 49).

Skills provision (page 92)

Labour accept our costings of these policies. However, again they have disputed the funding source. It is our intent to refocus the entire Train to Gain budget, which will be £1.023 million in 2010/11 (Source: DIUS Annual Report, 2008). We have committed to apply £775 million of Train to Gain funds to Apprenticeships, as outlined in Get Britain Working. The remaining Train to Gain funds, in addition to RDA and moving spending on careers advice, will be used to fund the Business Skills Development Fund, Community Learning Fund and NEETS Fund.

More places for science courses, training and apprenticeships (page 97)

Labour have completely misrepresented our position on this policy. Our proposal for more places for science courses for the summer of 2009 and apprenticeships was fully funded from £5bn in savings generated by reducing the growth rate of government spending in 2009-10. As we made clear at the time, this was a proposal to Alistair Darling ahead of the 2009 Budget, which we argued should be implemented in 2009/10. We are therefore not committed to implementing this policy in government - it was a submission for 2009-10 only and we made that clear at the time.

1,200 Higher Education Scholarships for apprentices (page 98)

Labour have doubled-counted this commitment. This policy would be funded from the £60 million Business Skills Development Fund outlined in our Skills Green Paper (*Building Skills Transforming Lives - July 2008*) mentioned on p. 93 of Labour's dossier and will be fully funded by refocusing money from Train-to-Gain.

Swedish-style New Academies (p 99)

Labour's numbers are deliberately misleading. They assume that the new school places we have pledged have an additional *revenue* cost. Labour claim that if a pupil moves school we would have to fund places at their new and old school. But this does not happen at the moment. Money follows the pupil - if a school has fewer pupils this year than it did last year then it receives less funding.

Our policy is about creating more good school places, not creating more children. Under our proposals, money would continue follow the pupil. So no new revenue money would be spent as the number of pupils in the system remains the same.

Labour have accepted our estimates of the capital costs of this policy.

Three infantry battalions (page 103)

Labour are trying to misrepresent our position. Labour's own dodgy dossier acknowledges that we have always said we need to look at the MOD's accounts before proceeding with the ambition of increasing the size of the Army: 'We want to see the restoration of the three infantry battalions cut by Labour as soon as possible once we have seen the MoD's books and identified the savings to pay for them.' (Liam Fox, Party Conference Speech, 2 October 2007 – quoted on page 103 of today's document).

We have committed ourselves to conducting a Strategic Defence Review, which would be initiated immediately after entering office. The review will consider the size and composition of the British Armed Forces alongside the strategic context and the capabilities we will need

3,500 brick and steel prison places on existing sites (page 107) and 1,500 new prison places (page 110)

Our commitment is to end early release and introduce min max sentencing for certain offenders, not to build a fixed number of new prison places. How many new prison places are required to fulfill our commitment will depend on progress of Labour's own building programme, prison population levels and the success of our rehabilitation revolution.

More money for rehabilitation (page 112)

Underpinning our commitment to funding rehabilitation is the associated decrease in recidivism rates. Whilst Labour has accurately mirrored the costings of this policy, they have neglected to point out that the policy is cost neutral since preventing one ex-prisoner returning to jail for one year pays for the rehabilitation of 12 prisoners.

Shared equity scheme for social housing tenants (page 113)

Labour's analysis of our policy is completely misguided. Our policy is designed to incentivise social tenants to move into the private housing sector, which will cut costs by freeing up social housing. For example, if the number of social tenants moving into private housing increases to 100,000 a year as a result of our policy, this will save taxpayers £2.9 billion.

More health visitors (page 115)

Labour's attack is factually incorrect. Our pledge is to increase the number of health visitors by 4,200. We have costed this at £200 million – this works out at just under £48,000 per visitor. However the Treasury have assumed it costs £390 million to pay for 8,712 additional health visitors – this equates to under £45,000 per visitor. So on treasury figures our policy of delivering 4,200 additional health visitors is actually cheaper we expected – around £188 million.

We will pay for our health visitor policy by diverting spending from the 'outreach workers' budget within the existing Sure Start budget and from the Department of Health budget, where we have pledged real increases.

Maternity Nurses for all (p 118)

Labour is trying to misrepresent our position. As the quotes from Michael Gove and David Cameron make clear we have always been committed to learning from the Dutch system of kraamzorg. The maternity nurse entitlement costed in this document has never been our policy. We looked in detail into kraamzorg, and the Dutch approach has very much influenced our thinking to provide better community-based support for new families. This additional support includes: new health visitor provision, which will be more frequent, more intensive and more personally supportive than is currently available and maternity networks – there is a professional aspect to this, where local maternity units are better supported by hospitals, and a more personal, community-based aspect, where the networks will help mothers group together with voluntary sector help to form their own support groups.

Reinstate the Defence Export Services Organisation (DESO) (page 121)

This is a flawed claim. As we have made clear, any start-up costs will be funded in full from the MOD budget. However, it is completely misguided to claim that there will be any additional ongoing costs, as we are simply returning this function from BIS to the MOD.

Increase couple element of Working Tax Credit (page 122)

In this instance, Labour have reflected accurately our projected costings - £3 billion per year to increase Working Tax Credits for couples. We always said that we were committed to pay for this increase only as and when the savings come through from our radical programme of welfare reform, designed by Labour's own former welfare adviser David Freud.

Surprisingly, Labour's rebuttal fails to mention the Treasury's own calculation that this policy would help the poorest in our society. An FOI release on 2 December 2009 said that "1.9 million families are better off" under the policy, with an average gain of £30 per week, and "no households will be worse off". The Treasury calculated that "nearly all households who gain are in the bottom half of the income distribution" and "higher income families experience no gain"