POLICY THUMBNAIL

Simpler, Lower Taxes

Unblocking growth by axing loopholes, cutting rates & abolishing stamp duty & inheritance tax.

AUGUST 2025

Centre for Small State Conservatives

THE PROBLEM

The UK's tax system has grown more & more complicated for decades. All the new wrinkles and special schemes have created loopholes and exemptions where small numbers of people and organisations pay lower taxes which then have to be funded by higher rates for everyone else. This creates three serious problems which affect the entire UK economy:

1) It distorts our economy, making Britain grow slower by pushing business investment towards the special schemes rather than into industries and firms where it could be used more productively.
2) It encourages economic 'rent seeking', a zero-sum game where people and organisations that don't qualify for a special scheme either lobby politicians to create new ones where they do; or artificially-restructure their affairs to fit inside a scheme that already exists. Their gains are inevitably paid for by higher taxes for everyone else, and also create an industry of lawyers, tax accountants & other advisors who charge large fees in the process, but they don't increase the UK's overall economic growth at all
3) It isn't fair. The people and organisations that benefit from special treatment are often the ones who can afford the best political lobbyists, which means our tax system has become biased in their favour. Workers currently (2025) pay income tax at 20%, 40% & 45% but wealthy people pay 8¾%, 33¾% & 39.35% on income from dividends, or 18% & 24% on capital gains.

THE SOLUTION

We will deliver simpler, lower taxes through a series of reforms including:

a) Reforming business taxes, where most of the special schemes & loopholes were originally created to stimulate investment. But in 2023 the Government introduced 'full expensing' which makes business investment fully tax deductible in the year it happens, which means the other schemes are redundant & expensive duplication. So we will abolish all other business tax investment-promoting schemes, exemptions & loopholes apart from 'full expensing', and plough the proceeds back into cutting the rates of business taxes such as Corporation Tax, Business Rates or Employer National Insurance Contributions.
b) Applying the same tax rates to all types of income, whether it is earned from work or unearned from investments, by adding all the earned & unearned income together and then applying a single, unified income tax threshold and set of percentage rates. National Insurance Contributions will also apply to all types of income and use the new threshold, and anyone over state pension age will remain exempt. We will plough the proceeds of this simpler, harmonised new scheme back into lower personal income taxes.
c) Rationalising economically damaging & distortive taxes on assets and wealth. Conservatives are already committed to abolishing Stamp Duty Land Tax on homes, and now we should go further by:
   - Replacing Inheritance tax with an updated Capital Gains Tax (CGT) so inheritors don't pay any tax until they sell the asset they've been passed, when they will pay CGT in the normal way on the gain since their relative acquired it.
   - Replacing Business Asset Disposal Relief (BADR) so entrepreneurs & business owners only pay CGT on capital gains they take out of their firm. Any gains which stay in the company to be reinvested in the same or a new business will be exempt from CGT & be covered by the simpler, lower Corporation Tax (outlined in [a] above) in the normal way instead.
   - Reforming CGT to allow for inflation (as always used to happen) so a capital gain becomes the equivalent of getting several years of income in a single lump, and can be included in the simpler, lower rates of income tax outlined in [b] above.
   - Stopping capital losses being used to reduce capital gains, because hardworking taxpayers shouldn't be expected to

subsidise wealthier people's bad investment decisions.

- Including gains on Government gilts & other 'qualifying corporate bonds', because other types of bonds are already included & there's no reason why these should be treated differently.

We will plough the proceeds of this simpler, harmonised new scheme back into cutting & then abolishing Stamp Duty Land Tax on all other kinds of asset sales as well as homes.

THE BENEFITS

This reform will:

- Make our economy grow faster by freeing business investment to flow into industries and firms where it will be used most productively, rather than into schemes which are designed to exploit tax loopholes and exemptions regardless of whether they make British firms more dynamic, efficient or internationally competitive.

- Be fairer, because everyone will pay the same rates of tax on their income regardless of whether it is earned through work or from investments, and no matter if they are rich enough to afford complicated and expensive tax advice or not.

- Stop death from causing tax bills, financial problems & economic distortions, on top of the inevitable emotional grief & loss, by abolishing Britain's most hated tax – Inheritance Tax. This reform will help save thousands of British farms and other family businesses too.

- Allow entrepreneurs & business owners to sell stakes in their firms & reinvest the proceeds in new ventures without paying extra taxes.

- Free up the housing market by cutting & then abolishing stamp duty land tax, making it easier & cheaper for older 'empty nest' households to downsize if they want to, and for British workers to move to take up better job opportunities as well.

THE SOUNDBITES

"Let's channel the spirit of Nigel Lawson, the UK's last great tax-simplifying Chancellor, to set our economy free again."

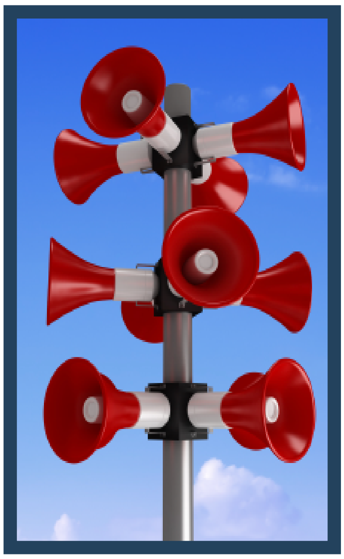
"Simpler, lower taxes let businesses invest in making UK firms more internationally competitive, so British workers & entrepreneurs get richer together."

"Complicated tax schemes & loopholes make a few lucky people & their accountants very happy, but the rest of us pay more as a result."

"Working families currently pay higher tax rates than people with unearned income from investments. That can't be right."

"We're abolishing Britain's most hated tax – Inheritance Tax – to save thousands of British family businesses & farms from being forced to sell up."

"Let's make Britain more mobile by cutting stamp duty, so it will be easier & cheaper for retired folk to downsize if they want, and for workers to relocate for better jobs around the country too."



THE REBUTTALS

1. Why are you closing [this or that specific special scheme or loophole]? Don't you care about [the people / the industry which it is supposed to help]?

We do, but we care about everybody else too. Closing loopholes and special deals means we can release money that currently goes to a few companies or people, and give it back to everyone. We're cutting taxes for the many, not the few, and our economy will grow faster as a result.

2. Isn't this just window dressing? You aren't cutting total taxation at all, just fiddling with rates and closing a few loopholes. When will the Tories cut taxes for real?

It's a great deal more than that. Simpler, lower taxes will help our economy grow faster, which is vital if we're going to afford lower overall taxes and better public services in future. And cutting Inheritance Tax and Stamp Duty means we're tackling Britain's most hated tax and one of our most economically damaging ones too.

3. Why are you giving pensioners an easy ride by leaving their biggest loophole – not paying National Insurance Contributions – untouched?

Stopping paying National Insurance Contributions when you reach state pension age isn't a loophole; it's the whole point of the scheme. You pay your stamp during your working life, so you've earnt the State Pension when you retire. It wouldn't be right or fair to make pensioners pay twice.

4. Why are you picking on pensioners by increasing taxes on investment income?

Better-off pensioners who've built up enough unearned investment income to pay taxes on it are already paying less than anyone else, because they are exempt from paying National Insurance, and that won't change. Plus they will benefit – along with every other saver and investor too – from allowing for inflation on their capital gains, which will cut taxes the longer they hold each investment.

5. Why are you picking on early-retired pensioners by making them continue paying National Insurance Contributions until they reach state pension age?

We're a free country so people can retire whenever they want. But people who stop work early will still get the state pension when they reach the right age, so why should they get special treatment by stopping paying into it earlier than someone who's less well-off and has to keep working for longer?

6. How is this 'simpler lower taxes' when you're increasing taxes on investment income and reintroducing inflation indexing on capital gains tax?

Harmonising taxes on earned income from work & unearned income from investments is much simpler, because we're replacing lots of complicated rates and thresholds with a single, simple scheme, & modern digital tax apps make inflation indexing quick & easy too. And harmonising rates will mean lower rates for the vast majority of people: we're cutting taxes for the many, not the few, and our economy will grow faster as a result. That's economically smart, & it's fairer too, because working families currently face higher tax rates than people with unearned income, which can't be right.

7. If you really care about growth, why aren't you reinstating [Business Asset Disposal Relief / the old Non-Dom scheme]?

No-one can go back in time to reverse the damage Labour has already done to our economy. But our new, simpler & better alternative to Business Asset Disposal Relief will mean entrepreneurs & business owners can reinvest their cash in the next venture without any tax at all.

8. Why are you picking on self-employed people by increasing their National Insurance Contributions?

At the end of the day we all get the same state pension when we retire, whether we were self-employed or worked for a huge corporation, so it's only fair we should all pay in at the same rate too. Simpler taxes will mean lower rates for the vast majority of people, and our new lower business tax rates will be a big help for self-employed people (as well as other types of businesses) as well.

9. Why are you discouraging risk-taking by stopping people who've made losses on their investments from using them to reduce their capital gains tax?

Our simpler, lower business taxes will encourage entrepreneurs to invest more in UK businesses, not less. But hardworking taxpayers shouldn't be expected to subsidise bad investment decisions by people who are already wealthier than them.

10. Why are you taxing capital gains on ISAs?

We aren't. The tax treatment of Individual Savings Accounts won't change &, when the owner dies, the person who inherits the investments won't have to pay inheritance tax at all, nor any capital gains tax unless & until they decide to sell the investments, so they won't be landed with bills they can't afford.

11. Why are you taxing capital gains tax on homeowners' principle private residences?

We aren't. No-one has to pay capital gains tax on their home (what the taxman calls their 'principle private residence') at the moment, and that won't change. Under our reforms, when a homeowner dies their inheritors won't have to pay inheritance tax or Stamp Duty at all. And if their children decide to live in the property as their principal private residence instead of selling it, then there's no capital gains tax for them to pay either. The only time there's a tax bill will be when an inheritor decides to sell a property rather than living in it, when capital gains tax will apply.