

Complaint:

Programme: Your Money and How They Spend It, Part 2

Channel: BBC2

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Although this programme was generally informative and balanced, issues on higher rate taxation were **misleading and biased**.

Throughout the documentary, three politically-biased and unsubstantiated assertions were made:

- i. The rich leave the UK to avoid increases in higher-rate tax.
- ii. The rich effectively “volunteer” tax. Politicians can not stop tax avoidance.
- iii. There is a psychological barrier at 50% tax. Any increases above this would be ineffective.

1) Throughout the documentary, it is repeatedly stated that the rich move away, when higher-rate taxes are raised. However this belief is purely anecdotal and unsubstantiated.

**There are no studies that substantiate the rich move away when taxes are raised.** The only study I am aware of is one that proves the opposite.[1]

2) Although capital flight tax avoidance is common when taxes are raised, there is no evidence that politicians are *\*always\** powerless to prevent it. Much UK tax avoidance is via British crown dependencies, such as Jersey. **UK Governments have substantial power to close tax loopholes used by avoiders, if they desire to do so.**

3) Nick Robinson's statement that above 50% tax is “crossing the psychological pain barrier” is arbitrary. Economic studies of tax elasticity have provided varying results, arguably depending on political bias.[2] **Some studies show maximised revenues can be sought with a 70% tax rate.**

[1] Millionaire Migration and State Taxation of Top Incomes: Evidence of a Natural Experiment, Young, C and Varner, C; National Tax Journal, 06/11

[http://www.stanford.edu/~cy10/public/Millionaire\\_Migration.pdf](http://www.stanford.edu/~cy10/public/Millionaire_Migration.pdf)

[2] [http://en.wikipedia.org/wiki/Laffer\\_curve](http://en.wikipedia.org/wiki/Laffer_curve)