

British government forced to ditch plan to slash top rate of tax

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UK's new Chancellor of the Exchequer Kwasi Kwarteng delivers a speech at the launch of the campaign for Liz Truss to become the leader of the Conservative party in London. (File photo by AFP)

London, October 4 (RHC)-- British Prime Minister Liz Truss has been forced to reverse plans to scrap the highest rate of income tax after the move caused rebellion among lawmakers and turmoil in the country's financial sector. Truss, and her new Chancellor of the Exchequer Kwasi Kwarteng, had announced a new "growth plan" on September 23rd that would give the wealthy tax cuts while forcing vast government borrowing to flip the UK's economy out of years of stagnant growth.

In reaction to the Truss government's new plan, the British pound plunged to its lowest exchange rate in half a century, creating turmoil in political and economic rings.

In a blow to the Truss government's prestige, Kwarteng on Monday released a statement saying, "We get it, and we have listened," the new "growth plan" has become a distraction from the previous efforts to help households through a difficult time. "As a result, I'm announcing we are not proceeding with the abolition of the 45p tax rate.

The decision to reverse course is likely to put Truss and Kwarteng under huge pressure, less than four weeks after they came to power. Already, more than half of the public are saying they have no confidence in the Conservative prime minister as the leader of the country. Britain has changed four prime ministers in the last six politically tumultuous years.

Anand Menon, a professor of European politics and foreign affairs at King's College London and director for the UK in a Changing Europe think tank, noted that at this early stage of Truss' premiership it was too soon to make predictions on her future.

Menon suggested that public confidence in Truss could rise in the coming months if her government's "minibudget" an emergency package of measures achieved its aim of effectively reducing the strain of the cost of the living crisis on households and businesses.

Menon said, in addition to that, much more would depend on how the opposition Labour Party would seize the crisis as an opportunity to boost itself as a government-in-waiting. He said it "hinges on Labour banging home the message" that "this is the government for the few."

The leader of the UK's opposition Labour Party has promised to revive the country's economy, improve public services and take the government out of an "endless cycle of crisis" if he is chosen to lead the country at its next general election.

Delivering the keynote speech at his party's annual conference in Liverpool, Keir Starmer attacked Truss' move to cut taxes for the wealthiest amid a major cost-of-living crisis, urging voters not to "forget" or "forgive" the moves ahead of an anticipated national vote in 2024. He said Labour was once again "the party of the centre ground" and promised to fix the UK's ailing economy, revitalize the country's National Health Service (NHS), and confront the climate crisis.

"This is a Labour moment," Starmer told a packed auditorium in the northern English city. "Britain will deal with the cost-of-living crisis. Britain will get its future back... That's my commitment to you... the national mission of the next Labour government. And together with the British people," he said. "We will do it!"

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