

## UK plc Overspending – Taxing Times Ahead?

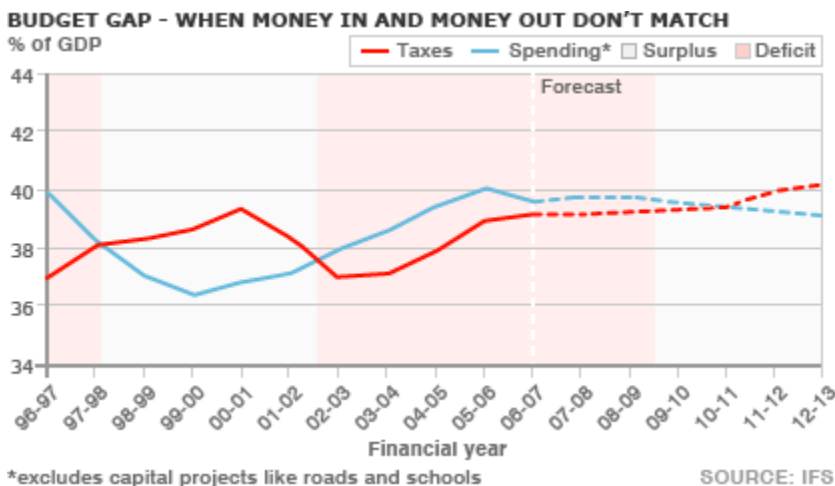
The British Government recently had its knuckles wrapped by the European Commission due to the growing gap in its budget. Now in considerable debt and in excess of 3% of GDP, this situation is by no means sudden but has been gradually worsening over recent years. In non-political terms this means that the Government have spent far more than they bring in. Whilst being highly embarrassing and making even the most frightening credit card bill look trifling, this will take time to correct.



We are all aware of a series of blunders that have been made of late, but in practice this boils down to mismanagement of the collective purse. The way to resolve this is fairly obvious if you think about it - increase the income to the Government and/or reduce expenses. Although likely to place increased pressure to raise tax revenues and reduce spending, this is the reality for any Government, irrespective of persuasion.

Dominic Thomas, Principal Partner at Solomon's says "I would caution that your local tax inspector is likely to come under increasing pressure to pursuit full collection of taxes. It is also likely that public spending will reduce - with an eye on inflation, my suspicion is that this is likely to mean that public sector workers, such as Doctors, will see further below-inflation salary increases."

One wonders what would happen in a country where the Government actually saved money for the future. Mr Darling warned in his first budget that the deficit would not come down as planned to £36bn, but in fact would increase to £43bn. This is an error of nearly 20%! Perhaps they could do with some financial advice... As a side note, tax collection revenue reached an all time high at the 31<sup>st</sup> January 2008 payment date.



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