

Taxation: a dog's dinner

BRITAIN'S tax system is in danger of collapsing, according to the Institute of Taxation. But the appeal for a royal commission is rejected by the Treasury, which does not want a too-binding commitment to do anything about the way in which people's incomes are plundered by the State.

But reform of taxation would not only benefit the payers: it would also help the taxman, who has to administer a fantastic system.

* Did you know that there are dogs, and there are dogs? According to the tax code, discrimination that would not be tolerated by the equal opportunities legislation in the labour market is acceptable in the dog market. Household dogs must continue to pay value added tax on their food. Greyhounds, because they are racing animals, receive their food

VAT-free. To be zero rated, however, the food must be "a complete feed providing all the required elements for a balanced diet for a dog".

* Thinking of growing a lawn? Customs & Excise maintain that grass seed should be zero-rated because it is used as animal feed, but pre-germinated seeds were designed for commercial purposes and should be subject to VAT. However: because the pre-germinated variety is widely zero-rated within the industry at present, exemption will continue "for the time being".

* And then there's the loss of revenue. If you buy your beer in Britain, you pay tax. But if you buy it in Calais and ship it across in your car, the lower tax rates mean you save a lot of money. According to the Henley Centre, Britain's Treasury loses £150m because of the cross-channel beer-shopping sprees by drinkers!

Can you blame people for wanting to avoid the taxman? As a result of tax increases in last November's budget, the typical worker will give an extra five days' labour to the government. Employees now work 142 days for tax - 10 more days than when

Margaret Thatcher came to power in 1979.

The Adam Smith Institute calculates the day of the year on which the average employee has earned the equivalent of his annual tax bill. This year, earners will have to work until May 29 (not including holidays) to keep the taxman happy. Then he can start earning money to pay his mortgage...

It is not surprising, therefore, that the Treasury does not want too close a look at taxation. Even so, it has given its blessing to an unofficial enquiry that is based at the Institute for Fiscal Studies.

Lord Howe, a former Chancellor of the Exchequer, is heading an independent group that will review the UK's "complex and inefficient" tax system. The Bank of England has donated funds to oil the enquiry, which will "focus on the workability of the system rather than policy".

Yet it is policy that matters. To make any difference to taxpayers, taxes have to be abolished: tinkering at the edges of the system, worrying about the minutiae of administration, will do nothing to reduce the costs and complexity of the system.

The government is already using all of the cardsharp's three-card tricks it can muster to con people into thinking that it is making life easier. For example, from this year people will enjoy the benefit of "self-assessment". The government has sold this "reform" on the basis that it gives greater "freedom" to people to declare their taxable earnings.

In reality, this is a ruse for shifting more of the costs of tax collection onto the payer, who will have to employ more accountants and lawyers to compile his returns to the Inland Revenue. And to make sure that the payer is not avoiding his obligations, the Inland Revenue plans to give inspectors wider powers of search and entry.

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