

ABOLISH THE PERNICIOUS PURCHASE TAX

A fortnight before Mr. Hugh Gaitskell presented his first Budget to Parliament he received a deputation of twenty-one representatives from the leading trade and manufacturing associations. The purpose of the meeting was to bring to the Chancellor's attention the absurdities and anomalies, the hardship and injustice caused by the Purchase Tax. Recognising that in present circumstances no Chancellor would be likely to abolish a tax which last year yielded £300 million, the deputation urged that a single flat-rate tax of 33½ per cent. should be imposed instead of the graduated taxes now applied. In this way, they argued, anomalies would be eliminated and the burden of taxation would be borne more fairly. Furthermore, the resulting stimulation to production and trade from the reduction of purchase tax on many articles to a uniform rate of 33½ per cent. would, in their opinion, increase the total Purchase Tax revenue. Of greater concern to the deputation, it would end the present tendency for manufacturers to lower the quality of their products by using materials subject to a lower rate of tax.

The deputation's plea was ignored. With a few minor alterations the Purchase Tax enters its eleventh year substantially the same as when *Everybody's*, March 17, published a hard-hitting article by Miss Hilde Marchant. Her facts and comments are very revealing. With due acknowledgments to the journal and to the authoress, we quote:—

"It must be remembered that there are 22,000 statutory rules and orders affecting the trading community, and the administration of this tax comes within these orders. They are bound in 28 solid volumes and cost £65 per set. They have been issued at the average rate of eight a day since the beginning of the tax, and any manufacturer who breaks one clause is liable to immediate legal action and possibly a substantial fine.

"For instance, a manufacturer must know that a shopping bag with an open top is tax free. But exactly the same bag, with a cord through the top to prevent the contents spilling, is subject to two-thirds tax. He must know that vases of certain sizes, if marked with the word 'celery,' are tax free. Otherwise they carry 100 per cent. tax. That a plastic brooch in the shape of a dove is 100 per cent., but one in the shape of a leaf is 33½%; that a dinner bell in the decorative shape of a wishing well is taxed 33½%, but one in the shape of a lady in a crinoline is subject to 100 per cent. The dove and the lady are classed as 'animate' reproductions. "A leaf is presumably not.

"The tax clauses governing 'vessels designed for use as containers for food and drink' are equally baffling. An elaborate fancy cake dish made of brass and chromium plated over is tax free, but if made of nickel or silver-plated carries a 33½% tax—despite the fact they are of exactly the same design and hold exactly the same cakes. A child's knife, fork and spoon, which one could reasonably suggest as essential in handling food, has a 33½% tax on it. But for a canteen of cutlery there are two taxes. If some of the cutlery is held in the lid the tax is 33½%. But if it is all in the bottom of the canteen box it is twice as much.

"The poker is the superb madness of all. A manufacturer got the idea of putting a shield on the top of the poker to prevent scorching of the hand when prodding the fire. This sensible device promptly put his poker into the 100 per cent. Purchase Tax class. The Com-

missioners of Customs and Excise, who administer the tax, ruled that it was decorative, as it could be regarded as the replica of a sword!

"But the manufacturer had another idea. By notching a semi-circle of about an inch of metal out of the shield, the Purchase Tax dropped to a third. Why? Because the shield then became a 'rest,' as the poker could be laid on its side.

"A child's brush and comb set in a cardboard box is subject to 100 per cent., but sold loose the tax is 33½%. A home barometer carries no tax, but a clock is burdened by a third. A pair of nutcrackers as legs carries 100 per cent., but a pair embossed with Shakespeare's head are only a third tax."

"But one other anomaly from the customer's point of view, which the trade has fought unsuccessfully for some time, is that all women's cosmetics, creams as well as lipsticks, are taxed the full 100 per cent., but men's shaving soap is taxed only one-third. Presumably women must go around with bright shining faces. A cream for softening the skin is apparently not in the category of an essential toilet article which reduced the tax on shaving creams and soaps.

"Not unnaturally there is a good deal of ingenuity used to make substitute articles that do not carry the higher taxes. A story is told which appears to be the classic example. A brass vase was manufactured by a Birmingham factory. It was ruled to be subject to 100 per cent. Purchase Tax. The manufacturer produced another, exactly like it, and called it a crematorium urn. That was different. It could be sold tax free!"

This tax is driving small manufacturers out of business. In one case quoted a small Lancashire ceramics company was assured by the Customs and Excise that its products would not be subject to purchase tax. Later, however, when £3,000 worth of orders had been taken, the Department changed its mind and arbitrarily ruled that its china pots would be subject to 100 per cent. tax. With a capital of only £5,000 this placed so great a burden on the manufacturer that he had to close down his factory and dismiss his staff. In such ways does the tax cause unemployment and prevent production while elsewhere it contributes significantly to the rising cost of living. Simultaneously by exempting from registration those persons and firms producing less than £500 per annum, it bestows upon them a special privilege. Thus they are encouraged to produce only those goods which when made by registered manufacturers are subject to a high rate of tax.

Reason and justice condemns this tax. It is not sufficient to demand its amendment and reduction. It must be abolished and revenue raised instead in such a way that enterprise will not be penalised nor production restricted. There must be substituted for a tax which raises prices, favours one section of the community at the expense of other sections and is subject to the summary vagaries of officials' legislation which in perfect justice to all men will stimulate production at the same time as it collects needful revenue. Only the taxation of land values will do this.

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