

# LAND AND LIBERTY

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## EDITORIAL

# Tax reform as the death knell of Ya-boo politics?

ANOTHER hoax is about to be perpetrated on the long-suffering taxpayers of Britain by their political masters. John Major's conservative government has decided to change the tax system by allegedly simplifying it. To curry favour with the voters, the government claims that the "reforms" will enable people to assess themselves for their tax liability. Sounds good. What is the reality?

Some years ago the Australian government changed to a system of self-assessment. Before that change about 20% of the people who were required to submit tax returns used an accountant. After the change that figure rose to nearly 70%.

Along with shifting more of the tax collection costs on to employees the British government is threatening automatic penalties and surcharges against those who fail to meet deadlines. It is of no comfort to learn that the Inland Revenue itself will not be ready to cope with the new system despite the investment on new computers and the re-writing of 6,000 pages of tax law at a cost of £26m over the next five years.

What's it all about?

Critics claim that the action is necessary in the face of a tax system that has been made unnecessarily complicated by tax advisors. In the 1960s these advisors multiplied in number and expertise shifted from the lawyer to the accountant who devised schemes for the avoidance of tax liability. At first, those schemes were relatively simple. But as the Inland Revenue wised up, so the schemes became ever more complex. Every scheme spawned an anti-avoidance provision, which in turn provoked another scheme. The end result is that

few people can now understand the tax system.

To combat this nightmare the government declared that it would ditch 100 pages of legislation on the taxation of interest. This it has done. The new legislation is described in a document of 100 pages. The re-writing of the law on corporate debt will continue until 2001, which means that we have the opportunity to engage politicians in a discussion on tax reform.

As Britain's taxpayers groan their way through the new legislation, we have to take consolation in the belief that sanity will ultimately prevail. There is one way only to simplify the tax system, but this process cannot begin until the principles of public finance are re-assessed from the beginning. Parliaments throughout the world need to be told that they must return to basics.

On what grounds are people asked to pay to defray the costs of public expenditure?

What is the character of the society which we are aiming to create?

Questions such as these would baffle the politicians. They are not interested in fundamental philosophy: their sights are firmly fixed on votes in the next election. But that, unfortunately, is why political discourse has been impoverished into the ya-boo rhetoric displayed by candidates Clinton and Dole in the US Presidential elections.

If the correct reforms are to be instituted, they will have to be the result of a democratic debate in which the people have seized the platforms and directed the dialogue in favour of social justice and economic efficiency. That is not an impossible prospect. The dialogue will open up despite the politicians (see Talking Politics: page 4).

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