

## Taxation Under Fire

**T**AXATION as presently levied has had a deservedly bad press lately. First was Lord Evershed's scathing indictment of income tax. He said it is "a sort of game, a battle of ingenuity unrelated to any principle, any common sense or fiscal consideration. It is extremely bad for the respect of the law, seriously damaging to its prestige and consequently to the welfare of society." The Master of Rolls was commenting on the "anarchistic distinction" between Schedule D, which covers profits of trades, businesses and professions, and Schedule E, which covers income from all offices, employment and pensions, including salaries, wages and directors' fees. The Court of Appeal dismissed with costs the appeal of a bank manager that his club subscriptions were incurred "wholly, exclusively and necessarily for the performance of his duty" and therefore allowable under Schedule E. For the Crown, Mr. C. F. Fletcher-Cooke, Q.C., said that the case might have been different had it come under Schedule D.

Next came the report of the Select Committee on Estimates. This stated that the Inland Revenue department is regarded by many taxpayers as "public enemy number one". Witnesses from the Association of Inspectors of Taxes spoke of the odium the inspectorate incurs because it has to assess liability to tax. The Committee, comprised of M.P.s from both sides of the House, considered that much resentment by taxpayers could be avoided if simplified tax forms and returns were used. It was "far from satisfied" that sufficient attention is paid before legislation is introduced to finding precisely how the number of taxpayers and the complexity of the legislation would affect collection costs. These have been steadily rising — from 1.11 per cent of gross receipts (1950-51) to 1.48 (1959-60) — and this was cause for disquiet. Expenditure by the Inland Revenue department this year (£56.5 million) is double what it was a decade ago (£28.7 million in 1951-52). During the same period the staff had been increased by almost 5,000 to 57,953. The Committee was "perturbed" that the cost of collecting Schedule A income tax (on property) was about 4 per cent, roughly three times that for other taxes. The Board's chairman, Sir Alexander Johnston, said that the tax has to be related to valuation and "at the moment the thing has become completely unreal in every respect". The report says: "There is a danger that the existence of an unrealistic tax may bring the system of taxation into disrepute."

Fuel was added to the fire by Mr. S. P. Chambers, chairman of I.C.I. Addressing members of the Income Tax Payers' Society, he not only called for a general reduction in taxation but urged that Chancellors of the Exchequer should stick to simple rules of equity. They should get away from "gimmicks", such as special reliefs, the acceptance of which by taxpayers implied concurrence with a bad tax structure. In his view, the prime

need in Britain was to attack the basic evils that arose from parts of a tax system which were thoroughly bad.

After this Lord Mayor's show came the "patriotic protest" of Mr. Harold Scott on a tiny point of detail which tickled the public's imagination. He is director of one of the three main firms which between them print some 12 million export certificates every year. The forms are deemed to be stationery and thus are subject to purchase tax at 25 per cent plus the new surcharge added by the "Little Budget". This is paid by the exporters, not the printers, and amounts to £2 5s. on every 5,000 forms. Mr. Scott said that his firm had been protesting for years, trying to get the tax changed. "The country is crying out for exports one minute and charging manufacturing exports for the forms the next minute. It's just crazy." Agreed, of course, but at about a tenth of a penny per form the tax is scarcely onerous nor is it any more "crazy" than all the other taxes, national and local, direct and indirect which are heaped on industry and trade. The real lunacy is that such form-filling is required. It wastes an enormous amount of labour (to say nothing of paper), raising prices and obstructing trade and adds to the taxpayers' burden by requiring an army of civil servants to count, sort and check the returns. Square wheels would be hardly more foolish.

## It's Your Money

**O**VER-TAXATION, which ruined the governments of many old civilisations, is now threatening Britain, declares Professor Parkinson, originator of Parkinson's Laws. In a booklet entitled *It's Your Money* published in August by the Aims of Industry organisation, he says that national and local taxation took 38 per cent of the national income in 1959. He urges the Chancellor to follow the example of every householder and relate his expenditure to the income available, instead of relying on there being no ceiling on expenditure. "Take 20 per cent, or less of the national income, divide and subdivide that total between administration, defence, education and welfare, with interest on, and repayment of the National Debt, and then tell each department what its share is going to be. Ask nobody to submit an estimate, but give everyone a total which he must not exceed. And in any department which reports a deficit, the first economy to be made will be in salaries at the senior level." The booklet expands Parkinson's Second Law, that "expenditure rises to meet income". At present nobody knows what the Government's income is supposed to be. "It is merely the grand total of departmental demands, revenue being adjusted to meet the cost of administration."

Except in its wittily satirical presentation, there is nothing new about Prof. Parkinson's proposals. Geologists and this journal have always urged that govern