

When a cuppa is a tax liability

DOUGHT WE to bring back the gallows for politicians? The thought becomes temptingly irresistible when we review the way in which they inflict tax policies on their citizens.

Fiscal reform is rarely off the agenda, but that is because of the persistent economic problems and the inability of politicians of all political persuasions to conceive of solutions that would actually deliver desirable results. That the reverse is the invariable outcome is illustrated by plans for the bankrupt capital of the United States.

Federal politicians on Capitol Hill decided on a new wheeze to try and rescue the economy of Washington DC. They figured that a flat-rate tax of 15% would do the trick. They decided that investment in Washington would follow the scrapping of capital gains taxes. But analysts agree that most savings would benefit high-income groups and home owners who would see their property values soar. In other words, there would be few benefits for the poor and no action to force the landowners into making their derelict sites available for reconstruction at affordable prices.

TWO YEARS ago British Prime Minister John Major appointed a panel of experts to advise him on 'green taxes'. The first report contains this recommendation:

The Panel would support a gradual move away from taxes on labour, income, profits and capital towards taxes on pollution and the use of resources. Currently we tend to tax people on the value they add rather than the value they subtract.

John Major's government published a response which implicitly acknowledges the need for the Georgist fiscal philosophy. The government accepts the need for reductions in 'distortionary taxes' and the adoption of non-distortionary taxes. Significantly, it adds that revenue from non-distortionary taxes would enable it "to reduce the rate of employers' National Insurance Contributions and thereby encourage greater employment". Henry George himself could not have put it better! There seems to be some awareness in Whitehall (if not yet in Westminster) that the structure of taxation does need to be radically revised to create an economy that liberates people from the dead hand of taxation.

That exchange of views in the British government's own documents is revolutionary in its implications, even though the people who wrote the words almost certainly do not appreciate the significance of what they are saying. This one reform would radically - but peacefully - transform society.

To what do we owe this kind of exchange? It has more to do with the imperatives of environmental destruction than the intellectual enlightenment of politicians.

But the correct strategy will not necessarily be adopted

just because it has truth on its side. History is the record of failures of what might have been if only enough people had risen to the occasion. My conviction that we will respond to the opportunities that are forcing themselves onto the world stage as we come to the end of the millennium is the result of a number of facts. One of them is that the Georgist movement itself is now re-tooling itself.

But this is not to say that we can afford to be complacent: we all have to keep up the pressure if we are to create that critical mass that will ultimately explode into a creativity that delivers the justice that is long overdue. But if there is one thing I do feel sure about it is the continuing enthusiasm and commitment of rank-and-file Georgists around the world. They have proved by their loyalty that any contribution to change that we make will be the result of a popular activism that has sustained the kind of work that has been invested in the future of Russia.

THE RIDICULOUS character of the tax system is highlighted by the bust up over the office cup of coffee. A staff canteen is a tax-free benefit to employees. But the Inland Revenue has decided that one employer is liable for tax because it had supplied a coffee machine and no meals. The drinks were therefore a tax-liable benefit.

Eavesdropping is also being used to discover whether employees are using the telephone for private purposes. One woman's telephone calls were monitored and the Inland Revenue found that she frequently telephoned her mother. They then tried to tax her on the benefit.

And then there is the working lunch. If provided by an employer, the employee could be landed with a tax bill if there is no outsider present and if the firm's employees as a whole do not have a free meal.

The increased use of the laptop computer also presents hazards to employees. For if an employee uses the laptop for private purposes he could be liable to a tax bill.

But the damage inflicted by taxation is not just designed to make life difficult for the ordinary tax payer. It also fosters activity in the economy that ultimately disrupts the production of wealth. One example is the way in which tax benefits are attracting German investors, who have spent £2bn buying many of London's most valuable properties. The most recent deal involved the sale of a London building, the headquarters of a US Oil company, for £130m to a German investment fund. Those 'open-ended funds' gain tax advantages because they hold at least half of their funds in properties outside the country where they are based.

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