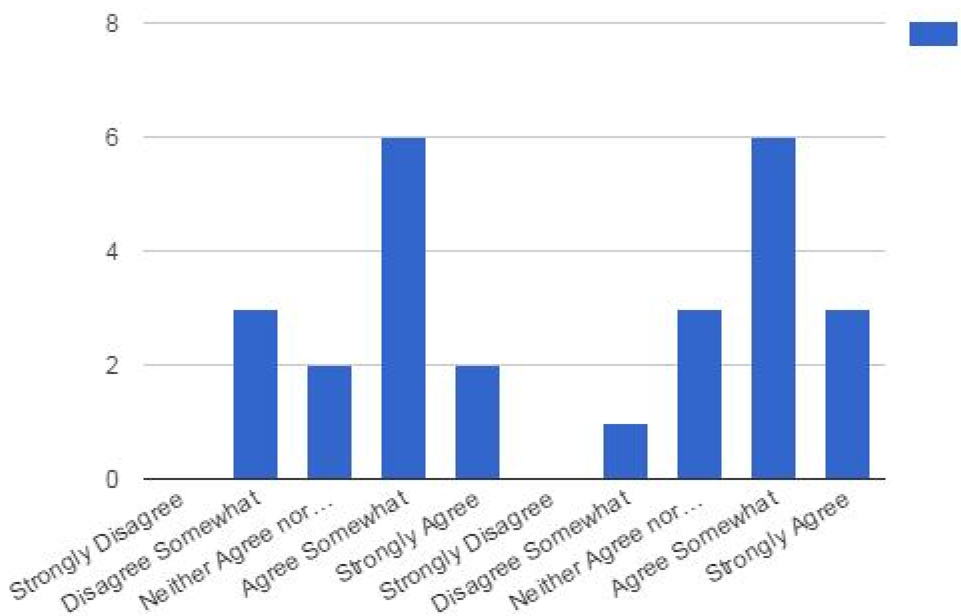
Political Thinking

Meeting No 9 15th May 2017

Topic. " The current UK Tax system is not fit for purpose"

Participants' opinions Before discussion **63%** agreement,

After discussion **71%** agreement



Before the discussion **After the discussion**

Before the discussion opinion was broadly in agreement.
As a result of the discussion opinion moved toward more agreement by several points.

Discussion
The discussion was wide ranging with a broad spread of opinion expressed.
Principal points made during the debate

By those tending to **agree** that “ The current UK tax system is not fit for purpose.”

- The taxation system should express the kind of society we are; there is a choice along the spectrum “individuality” to “mutuality.” The current system is muddled.
- VAT is a regressive tax as it is currently enacted and therefore is unfair.
- There should be a higher proportion of local taxation to provide local accountability.
- Efficiency of collection should be the most important criterion for the tax system; the current system is over expensive to collect.
- The system is too complicated as the thousands of pages of taxation rules demonstrate.
- Avoidance of taxation by multinationals such as Starbucks, Amazon, Google damage national businesses who do not avoid taxes; the system needs reform to prevent this.
- The current system is too prone to manipulation by those adversely affected; for example recent budget tax proposals on NI.
- The system of business rates is greatly in need of reform as tax due is unrelated to profit and ability to pay.
- Inheritance tax is grossly unfair as it is not paid by the rich who can afford tax avoidance measures.
- Specific tax increases for specific purposes, such as increased expenditure on the Health Service are a reasonable and effective way to raise the funds needed.
- Taxation for purposes other than revenue raising eg to promote or restrain certains kinds of behaviour are usually ineffective and produce distortions with perverse consequences. (Examples some property taxes and exemptions, alcohol taxes, sugar tax,) They should not be used.

By those tending to **disagree** that “ The current UK tax system is not fit for purpose.”

- Tax on expenditure is fairer than tax on income; VAT would be an improved and fairer tax if there were more tiers and more exemptions for necessities.
- Those with higher incomes do in fact pay the largest share of taxation; so the current system is reasonably fair.
- The current taxation system does in fact achieve a significant redistribution of income from rich to poor and therefore achieves a measure of social justice.
- Every taxation system has anomalies and discrepancies; the UK one as a matter of practicality does collect large sums for the Government with less disruption and a higher degree of acceptance than some systems in some other countries.
- Provision of services by the State paid for by general taxation is the most efficient and effective way to deliver some services necessary for the common good.

Proposed reforms to the Taxation system.

Each participant was asked to suggest the one reform to the taxation system which he / she considered most important and would like to see. These were the proposals;-

- Inheritance Tax (death duties) should be raised to 100% of capital.
- The total taxation burden should be lowered by 2% and spending reduced accordingly.
- Inheritance Tax should be raised to 100% of capital with exceptions to allow provision for needy dependents.
- Income tax should be reduced generally and VAT raised to compensate to achieve approximately the same burden of taxation but collected slightly differently.
- There should be an annual reduction of the total burden of taxation by 1%-2% every year for the next political cycle (5 years) with corresponding reduction of expenditure.
- The overall burden of taxation is about ok; the proportion of expenditure on defence, foreign aid etc should be reduced and the proportion spent on social welfare, health, education should be increased correspondingly.
- There should be full transparency of personal tax returns; everybody's tax return should be open and available for public inspection.
- Government as a matter of courtesy should inform each of its citizens individually of how much tax in total is actually paid by each citizen in each year; to include Income Tax, VAT, Excise duties and taxes such as fuel, vehicle and alcohol, Council Tax, Stamp duty, insurance tax, etc etc.
- The overall level of taxation should be reduced by several percent, but with an allowance for contingency should things go wrong.
- Capital Gains taxes should be reduced to 5%.
- Corporation Tax should be higher.
- Avoidance of taxes by Companies should be prevented.
- Taxation should be increased by a couple of percentage points and the funds used to reduce the National Debt over the long term.
- Corporation tax should be reduced; Capital Gains and Inheritance Tax should be abolished as they are inefficient to collect; and the burden moved to Income Tax and VAT.