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Tax avoiders deserve a medal [1]

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Am I the only person to be outraged that HM Revenue & Customs have an 'Anti-Avoidance Group'? Or that the Group says it aims to 'make tax law robust against avoidance'? Or that it will 'quickly and expertly prevent and close down avoidance by effective legislation'? And be 'proactive in challenging avoidance'?

Let me explain: tax *avoidance* is perfectly legal. It means using the tax regime to your own advantage ? organising your affairs so that, under the rules, you reduce the amount of tax you have to pay. What is illegal is tax evasion ? deliberately misrepresenting your affairs, concealing your taxable income, smuggling, taking payment in cash and not paying VAT on it and so on. So Revenue & Customs make no bones about it: they will challenge, prevent, and make laws against and close down things that are perfectly legal. You might think that only Parliament can 'make laws', but if so, you are out of date. Officials now have so much discretionary power that they are effectively making our tax laws, not the elected politicians.

I would have no ? well, less ? problem if Revenue & Customs had an 'Anti-Avoidance Advisory Group' whose function was to spot the tax loopholes that people were exploiting and give advice to politicians about how those loopholes could be closed and how the tax law could be made more sensible. But not a bit of it. The present Group's purpose is to prevent people from benefiting, quite legally, by spotting where the law is an ass. Rather than harass such people, we should give them a medal for public service, in pointing out just how stupid our tax laws are.

What generates these loopholes is the absurd complexity of the tax law. Tolley's Guide, the accountants' summary of tax laws, has reached another record this year, at 14,500 pages. Nobody in their right mind, even with a trained accountant's experience, can know what is legal and what is not. For every person or company who actively exploits the loopholes, there are another nine who don't understand it and are simply petrified of getting it wrong and being prosecuted. HMRC should be doing something to help those nine, not harass the one ? because in simplifying the law, making tax intelligible, and simplifying things such that it is obvious what everyone should pay and there are no loopholes to exploit, they would actually be getting to grips with the one as well.

But no, it's a constant, downward spiral. Tax rates are too high, so lobbyists demand exemptions and breaks here and there. With those folk now paying less tax, the rate has to rise for everyone else. So the lobbying spreads further, and the rules and exemptions become even more complicated. Then HMRC sees that it is losing money because people are taking advantage of the rules, and dream up all kinds of extra complications to stop it. Which increases the costs of taxpayers, who lobby for more reliefs and exemptions?which ? well, you get the idea. It is a downward spiral of complexity.

It's time to make tax simple and certain. And to ensure that our tax officials are public servants, not public inquisitors.

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