

[The trouble with tax simplification](#) [1]

Written by [Tom Clougherty](#) [2] | Monday 10 March 2008



There seems to be a consensus among economists and policy experts that the UK needs a more conservative fiscal policy. And not before time either, given that we have been operating a cyclical budget deficit for the past five or six years, despite years of uninterrupted economic growth and low unemployment. Unfortunately there is also a consensus that the state of the public finances will not allow for much radicalism.

The policy response being adopted by both opposition parties is, at a basic level, quite similar. Neither the Conservatives or the LibDems are promising up-front tax cuts, but both are committed to making the tax system simpler, fairer and flatter and to shifting the burden of taxation away from production (taxes on income and profits) towards consumption (more specifically, taxes on pollution).

As long as the proceeds of green taxes are really used to bring down taxes in other areas, I have no problem with them. All things being equal, we want to encourage production and discourage pollution, so the policy makes sense. And of course, the ASI has been campaigning for tax simplification for years, so any moves in the direction would be very welcome.

However, even simplifying taxes can turn out to be harder than expected. The trouble is that the winners from simplification tend to be ungrateful and the losers tend to be aggrieved. And if you're not cutting taxes *overall* there are always going to be losers from simplification. That probably means you need a very clear manifesto commitment to simpler taxes, especially if you're going to have a small majority (almost inevitable after the next election).

Another option is to introduce lower, simpler taxes through an alternative, opt-in tax system like the one [advocated](#) [3] by Fred Thompson in his ill-fated US presidential bid. People could opt-out of PAYE and into a self-assessed flat tax system instead. Over time most people would probably opt for the simpler system, and we would end up with a much better tax system without having to fight major battles over the removal of popular complexities.

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