CIOT Vice President's page, March 2016

Welcomes

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More education in tax?

The first time I wrote this column I expected to be drowned in hate mail but now that I am down to just one sack of the stuff a day I am being let loose again. This time I expect that everyone reading it will simply want to pat me on the head in sympathy for my naivety but here goes!

Unless anyone reading this has been living under a rock for a while, they will agree that tax as a subject currently occupies more topical debate – and certainly more media coverage – than at any time since I've been practising (which my children assure me must surely predate the Boer war)!

And yet the quality of that debate is appallingly low.

I'm not talking here about the debate on tax avoidance, although that is clearly one part of it: I'm referring to the entire subject. Indeed, a principal reason why it is so difficult to have an intelligent debate about tax avoidance is that the level of knowledge and understanding of tax in general is so low. Although one could argue that the level of public debate about many issues is poor, I am focusing on tax since that is the area where we can have the greatest impact.

The CIOT is, of course, an educational charity and we do a great deal of work in trying to inform the tax debate (at all levels including working with schools) but perhaps all of us might think what more we can do?

This general lack of understanding on tax has significant implications for our society. Some would argue that successive chancellors of all political parties have faced less scrutiny over some of their less straightforward proposals than might have been

justified because most of the electorate didn’t understand the implications. Gordon Brown’s abolition of advance corporation tax might be the most dramatic example but we can all think of others.

At the same time, chancellors have been unable even to raise the possibility of some reforms because they know the resulting headlines would be of the ‘scandal’ variety. Take VAT.

One way in which its regressive nature has been addressed is by zero-rating of particular items. However, zero-rating also gives tax breaks to people who don’t need them. When my kids were growing up I benefited from their clothes being zero-rated even though I was fortunate enough to have afforded the tax. An approach adopted by some countries is to standard-rate everything and address the impact on those on lower incomes through the benefit system. This would raise an enormous amount of money and could be seen as a ‘fairer system’. I emphasise I am not necessarily advocating this approach. I am merely saying it’s an example of a potentially interesting reform that could never be seriously debated because few would be able to look past their knee-jerk reactions.

I recognise that most eyes glaze over as soon as tax is mentioned and only headlines that can be portrayed as a scandal attract attention. But there is evidence that, whenever the proverbial person on the Clapham omnibus does spend the time to understand the issues, they see things differently. Our president, Chris Jones, gave a great example last month in his article about how he was proud to be a tax adviser. The sub-text was he avoided getting beaten up by helping a member of the public understand the complexity of the tax issues involved. So perhaps we all need to do more to educate the public about tax as a form of self-preservation in more ways than one.

A review of our exams

On the subject of education, it is essential that our exams continue to meet the needs of all our stakeholders while maintaining the high standards of which we are all so proud. Accordingly, a working party, chaired by former president John Beattie, will be reviewing our exam system, which was introduced in 2009. Any changes will not be introduced before 2018 (and probably not until 2019).

With very best wishes to all.