

President's page

1 August 2019

Summer reflections... and a farewell

August is a month for holidays, of course, and mindful that many of you regard *Tax Adviser* as essential holiday reading, this month's President's page will take a slightly broader view of the tax world.

I have been in many meetings over the years where the sentiment that the tax system would be much better if it was simpler was expressed. Indeed, we have an Office of Tax Simplification (OTS) in the UK, established to provide advice to the Chancellor on the simplification of the tax system. All the Directors of the OTS have been closely associated with the CIOT, two of them being former Presidents, and the CIOT has been a strong supporter of the OTS's work. We welcomed the sensible suggestions made in the recent OTS review of inheritance tax.

However, before we seek simplification of any tax measures, it is necessary to consider why complexity has arisen in the first place. There is one reason for the complexity of tax measures that I have seen come up time and time again during my time as a tax professional – and that is the need for fairness. There are very few tax measures which can be introduced into today's complex economic and social world without creating anomalies and unfair or undesirable tax outcomes. This leads to exemptions from the main measure, and then exclusions from the exemptions where the exemption creates 'undeserving' beneficiaries, and often anti-avoidance legislation to either back up the main measure or avoid abuse of the exemptions. Taxpayers and their representatives are generally the first to demand the need for fairness in legislation, and we must thus accept our own responsibility for its complexity, and perhaps admit there is some element of inevitability of such complexity. Had Aladdin been a tax adviser, and had asked the genie to grant him a fair and simple tax system, I think the genie would have answered: 'You can choose between fair and simple – I can't give you both!'

In the last 20 years, in my view, there has been a further driver for complexity. Chancellors have become wary, for varying political reasons, of large scale tax reforms or of significant changes to the main 'headline' income tax rates (except in emergencies, such as around the economic crisis of 2008/09). This has led to a proliferation of measures to raise or relieve tax in particular areas, and changing features in individual taxes rather than the tax as a whole. For a long time, this has been successful in achieving the government's revenue goals without too much political capital being needed. Unfortunately, the chickens – or should it be the geese? – are now coming home to roost. The system is now becoming so complex, government finds it increasingly difficult to legislate without there being adverse unexpected consequences. One current example is the situation where hospital consultants are refusing to take on additional shifts because of extremely high marginal tax rates they face on the amounts they would be paid, due to the consequent tax impacts on their pension contributions.

Ultimately, the tax system has to work for taxpayers, tax authorities and governments; I fear we are reaching a point where it does not work satisfactorily for any of those groups. Whilst this confirms that there is no lack of work for the latest incumbent as Director of the OTS, it also suggests some more overarching thinking is needed by government as to what sort of tax system is actually needed in the 21st century.

Peter Fanning

As many of you know, Peter Fanning, the Institute's Chief Executive Officer, retires on 2 August 2019. Under Peter's guidance, the operations of the Institute have been transformed. His achievements include two office moves, and, as St Paul's is to Christopher Wren, I am sure 30 Monck St will be to Peter. Our IT capabilities have also been substantially

upgraded, and the new CIOT website, coming in the autumn, will be another of Peter's legacies to us. Peter has also been central in cementing our relations with fellow professional bodies abroad and at home, most recently with the agreement on the joint programme with ICAS. I am sure all members will wish to join with me in wishing Peter, and his wife Katharine, a happy retirement. At our July meeting, Council recorded its thanks for Peter's outstanding contribution to the Institute.

I will be back from holiday in September, when I will have the pleasure of welcoming Peter's successor, Helen Whiteman, to the Institute – of which more, next month!

Enjoy the summer!

Glyn Fullelove

President, CIOT

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