

Funding the Future

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I had UKIP's [draft tax policy](#) drawn to my attention yesterday. It has the virtue of being almost incoherent in presenting many of its arguments. [Other claims are just wrong](#). The summary says:

UKIP believes in a fairer, simpler, flatter tax system which would cost less to administer and gain more in revenue, especially from the better-off. We would take everyone earning the minimum wage out of tax altogether. In this paper, financial economist Godfrey Bloom MEP sets out his radical proposals for a 'flat tax'. UKIP's new Tax Policy will be published later in the year.

Bloom has, of course, [been discredited by his party](#). The policy remains though, and is likely to do so. What that means is that the counter arguments to flat tax need to be honed. Last year [the BBC published this short piece by me on flat taxes](#):

The myth that flat taxes are simple and would raise tax revenue is just that: a myth.

It's also a myth that a great deal of the UK tax code could be eliminated. That is not true unless we wanted to scrap whole taxes and lose the money they raise.

It is that last point that provides the real clue to what flat taxes are all about. It is not chance that they are always promoted by people who also argue for small government and massive cuts in public spending. That is what they are intended to deliver, and I have to agree, they would.

But there's even a sting in the tail in that.

Currently the top 10% of all income tax payers in the UK pay about 59% of all income tax. They also pay tax at higher rates than anyone else. That is why they pay so more, but that's also because they earn more than most, of course.

Under a flat tax system they would enjoy substantial — maybe massive — tax cuts.

Those on low incomes would almost certainly pay more because around the world flat tax systems are associated with high National Insurance contributions — that hit the lowest paid hardest.

So flat taxes are really about cutting taxes for the best off, cutting services (like the NHS) massively and requiring payment for their use instead, and increasing tax, overall, for the least well off. That's the reality.

And as for simplification? That won't happen, first because business needs complex tax systems to let it do the complex trades it undertakes, and second, because most of the complexity is about defining just what is taxable. That's the hard bit. Multiplying by two percentage rates rather than one is, in comparison, no problem at all.

So flat tax would simplify almost nothing, but leave you paying to see the doctor or educate your children. That's what the flat taxers fail to mention.

There [is more here](#). And [a lengthy work, here](#). [Plus this](#). They'll do for starters, but the key issue is this, which I write in 2006:

Flat tax is not a serious attempt at taxation, but is instead an exercise in social engineering. That is why its innocent appeal is so dangerous.

The social engineering would cost the ordinary people of this country access to many of the services on which they are dependent. that is why I oppose flat taxes and that is why UKIP support for such taxes needs to be addressed openly and honestly with facts.