

Comment&Debate

Now they even want to tax the humble Blackberry

It's not that taxes are too high, although they are. Corporate taxes are now so high that Britain has surrendered one part of its international competitive advantage, and the government's take from the wealth created in the private sector is so large that productivity and incentives to work and take risks are declining. The Treasury now claims a larger portion of the nation's income than the average for all OECD countries.

It's not that that taxes are sneaky – a more accurate word than stealthy – although they are. To keep within the constraints Tony Blair imposed on him, preventing a rise in marginal rates on top earners, Brown has had to sneak around, grabbing a few million here and there, hoping homeowners, employers and workers wouldn't notice. Polls suggest they are starting to do just this.

It's not that taxes are irrational, although they are. The raid on pension funds, no matter how justified in theory, had the unintended consequence of driving up pension fund deficits. Greed can be the only reason that the climate-change levy, intended to reduce greenhouse gases, was levied on non-emitting nuclear power, with the perverse effect of discouraging its use. The combination of the benefit and tax systems has the effect of levying a work-stultifying, underclass-creating, 70% rate on the poor bloke who tries to improve his family's condition by working overtime.

It is not even the retroactivity of some of Brown's taxes. Utilities thought they had made some money, only to find themselves subject to a windfall profits tax. And oil firms learned that profits in good times could be taxed away after the fact – after millions had been invested on the assumption that any tax changes would be prospective. These grabs are a warning that investors had better factor in the risk of future raids when they compute the return needed to induce them to invest. Ed Balls says this won't happen to banks, without explaining why sauce for the utility and oil geese is not sauce for the bank gander.

All these features of the tax regime are deplorable, and should warn the business community and middle England about buying into the current Brown-Ball charm offensive. But more important, more revealing and more annoying is the sheer pettiness of the Treasury's tax policies. Want to renew your car tax by phone? Just dial the 0870 premium line – a process that has cost some 700,000 taxpayers an extra £410,000 since it was introduced.

Peanuts in the total budget, but proof that the Treasury will leave no lemon unsqueezed in its search for money.

Or consider the Treasury's approach to computers and Blackberries. Brown created tax advantages to encourage employers to make computers available to employees at home. But when the ungrateful workers used their computers not only for work, but to download music or email friends, out went the home computing initiative, and in comes a tax on any portion of the computer used for personal purposes. Beware the late-night knock on the door by a zealous tax inspector.

So too with the Blackberry, used by 400,000 people in this country, mostly employees working 24/7. Ever alert, the Treasury noticed that the devices were also used for personal emails, or games. Not one to countenance untaxed personal pleasure, Brown has ordered the Treasury to tax "anything designed to be used by being connected to or inserted into a computer" if it is for personal use, according to Revenue and Customs.

If these decisions are Brown's responsibility, he must be prepared to defend them; if he didn't know about them, he can't claim to have the executive skills needed to run his department, much less the country. In either case he would have to explain why, lover of Adam Smith that he is, he violates every principle of taxation laid out in *The Wealth of Nations*.

Smith's four principles are: contributions should be in proportion to taxpayers' revenue, which a 70% rate on moderate earners' incremental income is not; the timing, manner and amount of payment should "be clear and plain", a test stealth taxes fail; the manner of collection should be convenient for a taxpayer, which retroactive taxes payable in a year of low earnings are not; and every tax should "take out and keep out of the pockets of the people as little as possible", which taxes to fund waste in an unreformed, £97bn NHS do not.

Smith also argued that a tax should not "require a great number of officers" to enforce and collect it (some 70,000 enforcers and collectors are employed by Brown); it should not "obstruct the industry of the people" and discourage them from creating jobs; it should not create an incentive for smuggling (think booze and tobacco); and it should not require the frequent and "odious examination of the tax-gatherers".

There you have it. Gordon Brown, a disciple of the great Scot, violating all his principles of tax. No amount of speeches professing love for entrepreneurs and concern for the average citizen can explain that fact away. Sadly for Britain, the Tories have no alternative on offer.

Irwin Stelzer is the director of economic policy studies at the Hudson Institute and the editor of Neoconservatism
stelzer@aol.com



Irwin Stelzer

High rates and irrational schemes are bad enough – but it is sheer pettiness that really defines the chancellor's policies



Lover of Adam Smith that he is, Brown still violates every principle of taxation laid out in *The Wealth of Nations*

