

Taxation Tangles

Don't expect any parliamentary miracles over the poll tax. The legislation due to be introduced into parliament this autumn will pass through the two houses relatively unscathed because it was a centrepiece of the manifesto and its defeat would represent a major constitutional crisis.

The really interesting point is the extent of the political damage that will result from this parliamentary success. Many Labour supporters see the poll tax as their party's best hope of improving on the 1987 election result.

Optimists beware here too. Although the poll tax was indeed enshrined in legislation for Scotland before the general election, the dire Scottish result for the Tories cannot be put down entirely to the Labour Party's successful campaigning against it. Labour had been riding high in the opinion polls there long before the tax was conceived. South of the border, the Labour Party's utter failure to make use of the poll tax, especially in London where the new tax will mean massive increases for many households, bodes ill for any campaigns on the issue.

The decision, made in cabinet just before ministers went off on their holidays, to phase the introduction of the tax starting in 1990 will help to hide the real cost of the tax during the run up to the next general election. The treasury's opposition to the new tax is based on their awareness that, when the time comes, the government will force them to pump extra money into the rate support grant - or whatever replaces it - to further mask the financial effect of the poll tax.

All of this is not to deny that the poll tax is a staggering own goal with little support from within the cabinet - only Ridley and Herself are real aficionados of the idea - and even less within the Tory Party and the electorate.

The worst problem electorally for the Tories is that there will be more people in

households that are big losers than big gainers. John Gibson, of the Institute of Local Government Studies, has shown that there will be over 8.3m electors with bill increases of over £100 per year. For every 62 people in these households, there are only 38 who are in households paying £100 less per year. That's because most single adult households will gain, whereas most three-adult households will lose, and obviously there's more people in the latter.

The losses will be compounded by the high cost of collection that will have to be passed on to poll taxpayers and, more important, the revenue lost through evasion. Estimates of this vary from 10% to 20%, with the London boroughs and other urban authorities suffering the worst.

Then there is the muddle over whether those on benefits will have to pay 20% of the poll tax bill or not. The present plan seems to be to make everybody pay at least a fifth of their poll tax bill but to increase benefits by 20% of whatever the government thinks should be the poll tax for the area, if the council were not 'overspending'. However, that will either mean different rates of benefit across the country or penalising people simply for living in an area where demand for local services is high. If the government drops the 20% plan, the ostensible *raison d'être* for the poll tax - greater local accountability - goes out of the window because those on benefits will again make no financial contribution.

Of course, the accountability argument is pure political pap. With the new unified business rate to be pooled centrally, rather than kept by the individual authorities, the amount of local government spending covered by a local tax will drop from 51% to 23%. The real reason for the proposed reform is greater central control, particularly over the left-wing controlled councils whose destruction is a major component of Mrs Thatcher's plan to eradicate socialism. •

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