

Tax collectors, beware wrath of the people



**TAX
VIEWS**

**By
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To be sure, tax collectors are necessary to the functioning of governments and implementation of social policies. Why then are they so unpopular? Because, as history shows, tax collectors are prone to overreach, and are heavy-handed against the most vulnerable of society.

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We take for granted that taxpayers enjoy certain fundamental rights in the 21st century — privacy; the right to a fair trial; respect for the rule of law. There are, however, great differences in how taxpayers may enjoy their rights, which were won through long and bitter struggles. Unlike other areas of human rights — such as anti-discrimination legislation, and laws governing the conduct of public officials — there is no Canadian or international charter for the protection of taxpayer rights. Such rights, as they exist, have evolved piecemeal with the development and expansion of tax statutes, and their use for revenue and social purposes.

Taxation is the oldest form of government regulation in recorded history. Early records indicate that we have known various forms of taxation for at least 4,500 years. Ancient civilizations, such as those in Mesopotamia in 2500 B.C., described taxes as “burdens.” Canadians will feel their burdens shortly, by April 30.

The Romans used several bases for taxation, but the preferred one was land-based taxation, which was ultimately abolished in 167 B.C., as the expansion of the empire rendered such taxes unnecessary. The Romans also used poll taxes based upon land ownership, custom duties, tolls, and on trading slaves. The most significant form of early taxation was the poll levy on labour — known as “going” or “burden” in Babylonian languages. Thus, a free man would owe the government many months of labour. If he was lucky, his service might entail harvesting the government’s crop fields or digging the silt out of canals. If he was unlucky, he had to do military service, leaving the security of his home to fight wars abroad, perhaps never to return to his family.

Such burdens induced tax avoidance, which in turn resulted in anti-avoidance measures. An early form was to skirt the labour required by sending a substitute — such as a slave, or hired person — to perform the required service. Although substitution was illegal, it was widely practised. There were severe sanctions for avoiding the labour obligation.

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As we approach the 100th anniversary of the Canadian income tax, we must remember that taxes and war are closely linked. France introduced an income tax in 1355 to finance the Hundred Years’ War. The rate was set at 4 per cent on the rich, 5 per cent on the middle class, and 10 per cent on the poor. By 1789, taxation was one of the leading causes of the French Revolution.

The British, who were equally creative and shortsighted in their colonies, imposed a tax on salt (Salt Act) in India, claiming a monopoly on all its production and distribution. Tax collection was subcontracted to oppressive salt agents. On March 12, 1930, Mahatma Gandhi began his now famous 241-mile march to Dandi (on the west coast of India) to protest the tax on an essential ingredient of food. Thousands of

be below the age assigned by the statute. One of these fellows offered to produce a very indecent proof to the contrary, and at the same time laid hold of the maid: which the father resenting, immediately knocked out the ruffian’s brains with his hammer.”

To be sure, the techniques of the modern tax collector accord with the rule of law, but are not necessarily more sensitive. Even today, the Canada Revenue Agency collection procedures can be oppressive.

Having successfully reduced marginal tax rates in the 1970s from 80 per cent, which had caused a massive flight of capital from Britain, prime minister Margaret Thatcher discovered the unpopularity of poll taxes to her regret in 1989, when she introduced the “Community Charge” — that is, a single flat rate per capita tax payable by every adult living in a local area authority. The tax caused a rebellion within her party, led by

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his followers on the march were beaten and thrown in jail.

A year later the tax was reduced, but the damage was done. The non-violent political struggle against the salt tax was a significant step on the road to Indian independence, which became the first step in the eventual dismantling of the British Empire.

The determination of the appropriate tax base is as contentious as the rate of tax. Poll taxes are easy to determine, but are especially unpopular because they do not take into account the taxpayer’s ability to pay. The grievances of a poll tax on all males and females over the age of 15 caused the Peasant’s Revolt in 1381. David Hume’s *The History of England* captures the drama of the event:

“The first disorder was raised by a blacksmith in a village of Essex. The tax-gatherers came to this man’s shop while he was at work; and they demanded payment for his daughter, who he asserted to

her chancellor of the exchequer, Geoffrey Howe, who was ultimately responsible for her ouster as prime minister.

The moral of poll tax revolts through history is clear: In the long run, taxes can be imposed only with the consent of the people who pay them. Our courts do not have the capacity to enforce collection of taxes if the population does not voluntarily comply with paying them.

Britain, for example, estimates its “tax gap” at about 7 per cent, and its collection at around 93 per cent, of which about 90 per cent comes in without Her Majesty’s Revenue & Customs (HMRC) doing anything. Voluntary compliance requires the consent of the people to operate a properly functioning tax system.

In Canada, the Fraser Institute calculates Tax Freedom Day every year, by measuring the total annual tax burden on Canadian families, comprising federal, provincial and municipal taxes. It measures when

fundamental rights for granted in the 21st century. The rights have developed over time and prolonged struggles, but there is always the risk that governments can erode them in their enthusiasm and voracious appetite for revenues to support our increasing deficits. As we approach April 30, governments would do well to recall the history of taxation. There are limits to the amount of taxes that people will endure, before they depart for friendlier tax zones, or engage in massive tax avoidance.

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