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Building Social Policies in Fiscal Welfare

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The ways that social spending policies are run by fiscal welfare through the tax system remain relatively neglected, while the costs and impact of public expenditure are constantly under scrutiny. Mostly means-enhancing in contrast to much means-tested public spending, the costs of social tax reliefs are little examined, their distributional impact even less so. This article considers what is needed to provide a better basis for the development of robust and flexible policies for establishing, managing and evaluating fiscal welfare that can contribute to building a more open and equal society. Particular attention is given to increasing accountability and assessing tax and public spending activities together when they benefit the same target group; and to reducing inconsistencies of treatment in comparable tax and public schemes.

Keywords: Fiscal welfare, social tax expenditures, taxation, inequality, pre-distribution.

Introduction

The pattern of government resource distribution in any society and how it influences the development of that society not only depends on how funds are spent but how they are raised. Yet the many ways in which spending policies are run through the tax system remain relatively neglected in contrast to the frequent examination, debate and modification of the costs and impact of public spending. As a result the means-enhancing impact of fiscal welfare remains largely hidden while social welfare, increasingly means-tested, has long lain exposed to political fashions and media-amplified hostility.

As early as the mid-1950s Richard Titmuss challenged the conventional wisdom that redistribution was confined to the welfare state. He introduced the term *fiscal welfare* as one element of 'the social division of welfare' alongside *social welfare*, largely the welfare state, and *occupational welfare*, the benefits and services gained through employment. Through tax reliefs governments encourage and benefit particular activities and groups. As a result revenue is foregone that would otherwise have been collected. However, 'allowances and reliefs from income tax, though providing similar benefits and expressing a similar social purpose in the recognition of dependencies, are not … treated as social service expenditure' (Titmuss, 1958: 44; also in Alcock *et al.*, 2001).

Fiscal welfare needs to be related to but also distinguished from other terms used in discussions of hidden welfare. It is treated as a form of *tax expenditure*, a term introduced in the United States in 1967 by Stanley Surrey, a tax lawyer and US Assistant Secretary for Tax Policy, to contrast with public expenditure (Surrey, 1973: 3). This term is now widely used, although both definition and application can vary considerably across and even within countries (Redonda and Neubig, 2018). It includes more than welfare-related items

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but some important elements of fiscal welfare may also be excluded. The term social tax expenditure (STE) is often used but that too is not always interchangeable with fiscal welfare. In addition OECD identifies *tax breaks for social purposes* (Adema *et al*., 2014) although they do not include some major items of fiscal welfare.

Curiously, when Jacob Hacker introduced the term *pre-distribution* to describe activities before government spending decisions, such as employer wage policies, he did not include tax reliefs despite his own work on that topic (Hacker, 2002, 2011: 35; Chwalisz and Diamond, 2015). However, his term fits tax reliefs particularly well, because the transfer takes place before governments decide on budgetary allocations to spending departments.

These losses of revenue form part of what Richard Murphy has called the *tax policy gap* in order to distinguish it from the *tax gap* regularly reported by HMRC. 'Tax is not paid, but no one avoided it: the government had no intention that it should be paid' (Murphy, 2018). Nevertheless, these tax reliefs can be, and are, exploited in 'fiscally exciting ways' to reduce tax bills, whether concerned with welfare or any other objective.

Most forms of fiscal welfare and related reliefs are 'upside-down' benefits, as direct tax reliefs give more help to those with higher incomes and so higher marginal tax rates (Surrey, 1973: 37). For example, an income tax relief of £1000 saves someone paying the 20 per cent basic rate £200, the higher-rate £400 and the additional rate £450 (in Scotland £200, £410 and £460 in 2019-20 plus a starter tax rate of 19 per cent saving £190 and intermediate rate of 21 per cent saving £210). By contrast tax credits are fairer in that the reduction is of the tax due whatever the level of income: refundable credits help those whose incomes are too low to benefit from tax reliefs.

Most fiscal welfare is thus 'means-enhancing', reinforcing inequalities, in marked contrast to the very many public spending benefits which are means-tested. Taxation's largely unrecognised welfare role serves to perpetuate the 'two standards of social value' that over sixty years ago Peter Townsend identified as preventing the promotion of a fairer society. 'We have hardly begun to understand how to abandon the double standard of values in the social services and treat people as we would ourselves like to be treated' (Townsend, 1958: 114, 115; reprinted more briefly, 2009: 155, 156). The persistence of largely hidden fiscal welfare reinforces the problem (Sinfield, 2018). This article sets out the scale of the problem and discusses ways in which it could be tackled.

The emerging world of tax reliefs

The number, scale and purpose of tax reliefs including fiscal welfare has received increasing attention since the Office of Tax Simplification (OTS) identified over 1,000 reliefs, many more than the 400 listed by HMRC (OTS, 2011). OTS classified only half as 'structural', technical tax reliefs, defining the scope of a tax. Just as many were identified as special cases for special interest groups, targeted to influence behaviour and/or establishing thresholds for exemptions.

The total cost in lost revenue is unknown as HMRC only provides cost estimates for half its own list of 400. How much more the full OTS list costs is unknown: HMRC claims to cost all reliefs of £50 million or more, but much larger items occasionally emerge in the list without explanation. In 2014 the National Audit Office (NAO), an independent parliamentary body, produced two very critical reports on tax reliefs and their management despite objections from the Treasury and the Chancellor (NAO, 2014a, 2014b).

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'The Treasury's view is that the design and impact of a relief are questions of policy and therefore outside of the NAO's remit' (NAO, 2014a: para 10). The *Better Budgets: making tax policy better* team noted: 'This view is not accepted by the NAO, and its head confirmed in July 2016 that legal advice had made clear that its remit does extend to this sort of investigation. But it also means that no one in either the Treasury or HMRC is accountable for either the value for money or the cost of tax measures' (Rutter *et al*., 2017: 31).

The government's treatment of tax reliefs, including the basic maintenance, review and updating of the few statistics released, was vigorously criticised by the NAO:

> 'HM Treasury and HMRC do not keep track of tax reliefs intended to change behaviour, or adequately report to Parliament or the public on whether tax reliefs are expensive or work as expected. We found some examples where HMRC and HM Treasury proactively monitored and evaluated tax reliefs, but in general the Departments do not test whether their aims for the reliefs are being achieved. Until they monitor the use and impact of tax reliefs, and act promptly to analyse increases in their costs, HMRC and the Treasury's administration of tax reliefs cannot be value for money'
> (Amyas Morse, the Comptroller and Auditor-General of the NAO, 21 November 2014 at release of NAO, 2014b).

The NAO's latest consideration of tax reliefs concluded: 'HMRC's monitoring of tax reliefs is not yet systematic or proportionate to their value or the risks they carry' and recommended 'HMRC should make clear that its good practice guidance for staff administering tax reliefs is compulsory to give it assurance that oversight for each relief is suitable'. It 'should also publish all relevant information on the cost and impact of tax reliefs in a way that makes it more accessible so that Parliament can understand whether reliefs are working as intended' (NAO, 2016). This proposal was backed up strongly by the Public Accounts Committee (PAC, 2016: second main conclusion in bold, see also paras 17-22).

How significant changes have been since is unclear. HMRC annual lists of some 400 tax reliefs now contain data for six years, previously only one and then two, and more research is under way. Their annual Bulletin, *Estimated Costs of Tax Reliefs*, has been expanded with more notes but no new estimates: items such as the income tax exemption of child benefit, previously costed at some £1.2 billion, have been removed without explanation (HMRC, 2019a).

The costs of reliefs and tax expenditures were still seen as 'uncertain' and 'large, rising and poorly understood' by the Office for Budget Responsibility as recently as July 2019. Costed items alone were estimated at '21 per cent of GDP … around half the latest ONS estimate for total managed expenditure in 2018-19' (OBR, 2019: 75, 5 and 96). Even 'the cost of the policy motivated tax expenditures that HMRC *has* identified is large in absolute terms – approaching 8 per cent of GDP – and also by international standards' (OBR, 2019: 95, emphasis in original with an eighteen-year analysis in chart 4.14). This revenue cost is not exactly comparable to public spending and the whole issue deserves much more attention than it has been given. HMRC advises against aggregating reliefs.

In 2018-19 HMRC-listed income tax reliefs most closely comparable to public social policies totalled some £29 billion, most subsidising some form of private provision such as

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pensions. Making up over three-quarters of the value of the published income tax reliefs excluding the personal allowances (HMRC, 2019a), these were equivalent to some 17 per cent of the income tax actually collected. Among other reliefs the capital gains tax exemption for any gains from selling one's home was outstanding at £27.2 billion, three times the tax collected.

The continuing lack of transparency and accountability

Childcare is one social policy that illustrates the problems of obtaining clearer guidance from the government on fiscal welfare. In 2015 the Lords Select Committee on Affordable Childcare:

> 'were not able to persuade a Treasury official or minister to give evidence to us. Therefore we were not able to seek clarification on how Treasury officials help to coordinate childcare policy across departments [as claimed by the Treasury], or what criteria were applied when balancing the competing aims of child development, narrowing the attainment gap and maternal employment. No hierarchy of policy objectives was provided in the written evidence from HM Treasury'

Their Conclusions began: 'We share the concern expressed by our witnesses about the lack of coherence in the Government's stated objectives for childcare policy' (HoL, 2015: para 25).

Three years later the Commons Treasury Committee inquiry into the new childcare scheme found little, if any, progress. The Chief Secretary to the Treasury was unable 'to provide an economic analysis of who will gain and who will lose out from the transition from vouchers to Tax-Free Childcare' (Treasury Committee, 2018a: para 27). 'The Treasury should evaluate Tax-Free Childcare and thirty hours free childcare in order to gain a better understanding of how they affect parental employment and productivity. Until such an analysis is carried out, it is impossible to determine whether the cost to the taxpayer of childcare support is outweighed by the economic benefits' (Treasury Committee, 2018a: paras 4, 31). However a post-legislative review of the new tax-free scheme was promised (Treasury Committee, 2018a: paras 19, 79).

Had such select committee criticisms related to hospitals, universal credit or any other public spending initiative, follow-up by the media and by professional analysts would have been much greater (Hodge, 2016).

Despite increased calls outside government for more open, accountable and fairer taxation, Budgets have continued to 'give to those who hath' in ways that receive no reported monitoring and very little attention, except that is from tax advisers and financial journalists encouraging those better-off to take advantage. For example, in 2015 the opportunity to pass on pensions after death as part of the extension of 'pensions freedoms' increased the so-called 'tax-efficiency' of some private pensions even longer-term. Pensions are not included within the estate for inheritance tax purposes, so being able to leave part or all of a pension to a relative or, indeed, anyone extends fiscal welfare in a very 'tax-friendly' way. Further changes in 2016 reduced, if not removed, 'the requirement to extract tax gains' with the removal of the 55 per cent 'death tax'. How often and at what loss of revenue has not been made evident, but tax advisers and financial journalists make much of this great opportunity.

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It should be noted that the changes were made at the same time as the Chancellor of the Exchequer was enforcing 'austerity' on public spending.

Provide more and better data to reveal and tackle perverse distributional effects

In addition to growing criticisms within the UK, international bodies have become increasingly critical of the perverse distributional effects of tax expenditures. The World Bank declared that tax expenditure 'violates' vertical and horizontal equity, an unusually strong word for their reports, although it is not clear how this has been followed up (World Bank, 2003: 2). After occasional descriptive reports on tax expenditures since 1984 (OECD, 1984), OECD has become more openly critical of their impact and of countries' engagement with the issues: 'this incentive pattern might be judged absolutely perverse – giving the most inducement to those who need the inducement least – and yet it is the common practice in at least some countries'. While acknowledging the difficulty of evaluating tax expenditures, 'a more serious problem may be the failure to try. . . . An out-of-sight, out-of-mind attitude can arise and continue to insulate inefficiencies from scrutiny for periods of years' (OECD, 2010: 28-29; well illustrated for the UK by NAO, 2014a and 2014b). Desirable strategies were set out in a working paper: 'tax bases should be broadened first by removing or reducing tax expenditures that disproportionately benefit high income groups' to promote inclusive growth. 'Scaling back tax expenditures that are not well-targeted at redistributive objectives may help achieve both greater efficiency and a narrower distribution of disposable income' (Brys *et al.*, 2016: 51). Whether this is leading to a formal OECD recommendation is still not clear. The European Commission has required member states to provide tax expenditure data on a consistent basis since 2014 but there does not appear to have been any subsequent analysis.

The continuing absence of regular and comprehensive data on their distributional impact, even by the most basic dimensions such as region, income, gender and age, hampers the development of policies that take into account the means-enhancing impact of fiscal welfare. Especially when current levels of inequality are recognised as harmful in many ways, the hidden ways in which fiscal welfare and related reliefs reinforce inequalities needs to be tackled (Sinfield, 2018). Yet the lack of distributional data, let alone analysis, has received relatively little attention from the NAO, select committees and most discussions from specialist bodies and think tanks. Wider consideration of tax reliefs is very limited except when specific changes are proposed or revelations such as the Panama and Paradise Papers focus attention on their misuse (Obermayer and Obermaier, 2017; ICIJ, 2019).

The biggest income tax relief is for non-state pensions – £38.4 bn gross, £20 bn net after tax paid by recipients, 2017-18 (HMRC, 2019b). Only occasional distributional estimates have been prised out of HMRC, not regularly released. In 2016-17 about half of that relief went to the top tenth of income tax payers but only a tenth to the bottom half, despite significant restrictions on tax relief at higher incomes (Treasury Committee, 2018b: 33, chart 5.1). The imbalance is probably greater as the estimate does not include nearly £8 billion relief on investment funds – one-fifth of the then total income tax reliefs for pensions (no estimate for capital gains tax relief is provided).

The value of pension saving seems little questioned despite the 'widespread acknowledgement that tax relief is not an effective or well-targeted way of incentivising saving into

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pensions' (Treasury Committee, 2018b: para 117; backed up by Hughes, 2000; Barr and Diamond, 2008; Collins and Hughes, 2017). No official, and relatively little independent, discussion exists of the occasional distribution tables. Even less is made of employers' and employees' £16.3 bn exemption from National Insurance contributions on what employers pay into employees' pensions. Until the Mirrlees report (2011) this NI relief was very rarely mentioned and the government still does not appear to give it any consideration. How far these tax and NI reliefs should be treated as benefits to employee contributors and how far a form of corporate welfare to employers and pension funds deserves further analysis (Farnsworth, 2015).

Higher priority needs to be given to providing comprehensive distributional data on fiscal welfare and tax reliefs in general to enable a fuller account of who gets what from government action. Explicitly including the impact of these tax benefits in the annual *The effects of taxes and benefits on household income* (ONS, 2019) could enable clearer discussion. Contrary to general assumptions largely based on income tax alone, this survey already reveals that the total tax system has long been at best basically proportionate, not progressive, with a continuing higher incidence of total taxes on the household quintile with the least money. By 2017-18 the bottom quintile's total taxes came to 36.4 per cent of their gross income, not only clearly above the average (34.1 per cent) but also above the top quintile (34.6 per cent) (ONS, 2019: table 8 in the accompanying dataset). This is due, at least in part, to those on lower incomes being less able to save and exploit the range of fiscal welfare.

If the survey treated tax reliefs as the subsidies they are and took them visibly into account as benefits in these calculations alongside public spending benefits, the lack of progressivity in practice would be clearer. At present the survey shows the bottom half of households receiving more from the government than it pays into it so many argue that the better-off have to bear the 'burden of the welfare state' as part of the 'burden' of taxation. With the advantages of tax reliefs also included, a fuller picture of which income groups actually pay more in total taxes than they receive back would be available to inform public debate and policymaking on how far fiscal welfare affects the distribution of resources across society.

Total income tax reliefs claimed in addition to the personal allowances averaged £570 in 2004-05, but the top 10 to 1 per cent gained £1,998 in such extra relief and the top 1 to 0.1 per cent £8,103. The final 0.1 per cent were able to claim some £49,143 (own calculations based on Brewer *et al.*, 2008: Table 1). In consequence the final 0.1 per cent had eighty-six times more additional income tax relief than the average but only thirty-one times more pre-tax income, a clear indication of the means-enhancing nature of tax reliefs including fiscal welfare. How far subsequent changes have reduced this is not yet clear.

Using tax credits to replace some tax reliefs could help to reduce inequalities. Unlike most reliefs, they reduce the tax due by the same amount for everyone, irrespective of the taxpayer's income and marginal tax rate. This would lead to a fairer outcome, especially if the credit was refunded to those whose income was too low to benefit. At one time personal tax credits were being internationally hailed as a 'Third Way' solution to problems of low income with working and child tax credits (Myles and Quadagno, 2000), but support for this strategy has declined. In the UK they are now being replaced by universal credits that generally provide less in means-tested support with scant regard to the original promise to reduce poverty.

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Table 1 Comparison of Main Public and Fiscal Spending on Social Security in Retirement, 2016-17

Total billions		Percentage
Pension credit	£5.4 bn	3.6%
State pension	£93.8 bn	62.6%
Housing benefit (older only)	£5.9 bn	3.9%
Winter fuel payments	£2.0 bn	1.4%
Other public benefits	£1.1 bn	0.7%
Total public spending	*£108.2 bn*	*72.2%*
Income tax reliefs net	£24.3 bn	16.2%
NI Exemptions	£17.4 bn	11.6%
Total fiscal welfare	*£41.7 bn*	*27.8%*
Total spending	**£149.8 bn**	**100%**

Source: data from DWP, 2017; HMRC, 2019a

Present tax spending alongside public in government budgets

One major change would be to present tax spending alongside public spending in the annual budget: this enables closer consideration of tax spending as part of the overall distribution of resources and the government's role in shaping it (recommended by IMF, 2016: 23-24). This linking procedure was used in the past in the United States and Canada. From 1998-2002 the US Office for Management and Budget (OMB) 'presented tax expenditure sums alongside outlays and credit activity for each budget function in the federal budget' (GAO, 2016). However, OMB did not consider it 'necessary' or 'useful for budgeting' and abandoned it. In Canada in the 1980s new legislation had to include any new tax expenditures in the 'spending envelope'. After a few years this was abandoned with a change of government, although it has since been proposed again (Bruce, 1988; Lester, 2012).

Since 2005 the US Government Accountability Office (GAO), comparable to our NAO, has again made this a major recommendation 'to show the relative magnitude of tax expenditures compared to spending and credit programs … The budget will not provide a comprehensive picture for policymakers and the public to compare all of the policy tools used within a mission area' until tax spending and public spending are presented together (GAO, 2016: 2, note 4).

Combining these on social security for retirement in Table 1 reveals a spending envelope of some £150 billion with well over one quarter directed to private pensions. How far the published cost of fiscal spending items can be directly compared to public spending requires detailed examination. Once comparable data are available, regular presentation in this form would generate lively discussion with probably fewer claims of the 'wastefulness' of spending £2 billion on winter fuel payments going to everyone aged sixty-five or over irrespective of their income and wealth. Such evidence could generate more demand for fuller analyses of the distribution of both types of benefits by, for example, income and gender and the value-for-money they provide.

In the largely hidden world of fiscal welfare, 'subterranean politics … allow policies to pass that would not survive if subjected to the bright light of political scrutiny or the cold

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calculations of accurate budgeting' (Hacker, 2002: 43-4). No Minister would stand up in Parliament and present such a sharing out between public and private welfare when the latter provide such upside-down benefits (Surrey, 1973: 37).

Reduce the inconsistencies in treatment of taxes and benefits

Considering fiscal alongside public government spending helps to bring out the very different treatment of beneficiaries and taxpayers. For example, the new Tax-free Childcare scheme helps those in work with up to £2,000 a year for any children under eleven (£4,000 and up to the age of seventeen if the child is recognised as disabled). Although presented by the government in terms of support for the ordinary worker with stress on a ceiling excluding the highest-paid, the limit of a 'taxable income' of £100,000 probably only excludes two per cent or less of earners. That is much more generous, though less evident, than fully cutting off the public spending child benefit at £60,000 'adjusted net income'.

Late claims can also be treated very differently. When the employment allowance was introduced in 2014 to enable employers to reduce their NI contributions by £2,000 [now £3,000], there was 'so much emphasis on the benefit to small employers' that many larger companies did not realise their eligibility. The overall take-up was only 80 per cent. However, as *Taxation* put it, 'the good news is that employers have up to four years after the end of the tax year to claim the allowance' (Pullan, 2017). In contrast the time that low-income recipients can backdate claims for public spending benefits has been increasingly limited. Universal credit can only be backdated for one month, and only in certain circumstances.

Differences such as these merit greater consideration in relation to the United Nations' Covenant on Economic, Social and Cultural Rights (CESCR) that has recently been receiving closer attention. The Covenant requires that what it describes (but apparently does not define) as 'maximum available resources' should be drawn on by governments to avoid cutting basic human rights 'with a view to achieving progressively the full realization of the rights recognized in the present Covenant [...] without discrimination of any kind' (CESCR, article 2, 1 in Blyberg and Hofbauer, 2014). 'A state can't justify retrogressive measures simply by referring to resource scarcity, fiscal discipline or savings: it needs to show why the measures at issue were necessary for the protection of the totality of rights in the Covenant' (Nolan, 2018). The continuing neglect of tax reliefs and NI exemptions in accounting for the 'maximum available resources' is not justified.

The different treatment of benefits and taxes applies more widely in, for example, updating taxes and benefits (Harrop, 2019). Most working-age benefits have been frozen in cash terms for four years till 2020 after a 1 per cent limit for some earlier years. The saving to government of the 'benefit freeze' alone means beneficiaries have lost some £3.5 billion a year (Beatty and Fothergill, 2016: Table 2.9). The impact of failing to uprate benefits fairly and adequately is made all the harsher by the government recently increasing income tax thresholds faster than inflation. While the basic working-age benefit has risen by only 3 per cent since April 2012, the tax allowance threshold has been lifted by 46 per cent. Most on basic benefits receive little or no gain from that with a further and unnoticed widening of post-tax-and-benefit inequalities increasing problems for those at the bottom of the income distribution. A policy of 'austerity' where 'we are all

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in it together' requires identical restrictions on both benefits and tax allowances. Not only did that not happen, it does not even seem to have been considered – an outstanding example of the double standards that Townsend criticised.

Learn from experience in other countries

The UK was ranked in the second grade of three by Redonda and Neubig in their tax expenditure analysis (2018: 15, table 2, although 'good' in IMF, 2016: 32). Better understanding of fiscal welfare and related reliefs in other countries could lead to wider consideration of options. OECD, for example, has produced detailed analyses of tax incentives for retirement saving in member countries (OECD, 2018). Alternative measures could broaden the tax base for funding as well as constraining upside-down social spending through the tax system. For example, HM Treasury might refund some NI exemptions to the NI Fund as in France where some social security contribution exemptions are refunded to the pension fund associations providing the equivalent of state earnings-related pensions (Morel *et al.*, 2019). Additional funds could also be raised by broadening the base for National Insurance contributions. Again in France, contributions to one social security scheme are now levied on personal capital income and social benefits, although so far this has not brought in significant funds. This may be the result of merging personal and capital income: could that be done here to reduce the transfer of funds to capital taxed at a lower rate? This might expand resources and help to contain labour costs and inequalities. Introducing 'a "social" VAT (i.e. a VAT rate increase to finance the social security system)' was also considered in France but apparently has not been implemented (Brys *et al.*, 2016: 52). The continuation of the European fiscal welfare network (fiscalwelfare.eu) could encourage more exchange on fiscal welfare, its scale and policies which generally appear hidden as much in other countries as here.

Make institutional changes

The National Audit Office followed up by the Public Accounts Committee could play a key role in promoting greater transparency and accountability for fiscal welfare by regularly evaluating the great range of reliefs, particularly assessing their pre-distributive impact and the extent to which they provide value for money. However, institutional changes may be needed to increase open discussion and improve policymaking. At present the Office of Tax Simplification which revealed the greater number of tax reliefs and allowances has to act within its remit to reduce 'tax compliance burdens on both businesses and individual taxpayers' (OTS website, 16 June 2018). Although some reliefs were subsequently abolished, their number increased by 11 per cent in the four years from the first OTS list in 2011, from 1042 to 1156 (OTS, 2015). OTS failure to update that list since may be partly due to its absorption within HM Treasury, despite assurances of their independence. Apparently HMRC has its own list of reliefs, but this is only available internally: comparison with the very much longer OTS listing is not possible and debate is not encouraged.

An Office for Tax Responsibility has been proposed by Richard Murphy to audit 'the tax gap and HMRC's successes and failures in tackling it' and 'the rationale for all tax reliefs and allowances and then identify those that no longer serve any social purpose and which could, as a result, be abolished. We can no longer afford pointless tax giveaways'

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(Murphy, 2017: 21). It might also help to remedy shortcomings in the scrutiny of tax legislation that have been emphasised by the *Better Budgets* team (Rutter *et al*., 2017) and John Whiting, after retiring as the first Director of OTS. 'One feature that deserves more emphasis is the value of post-implementation reviews. The OTS's early reliefs report highlights that there is no process of review built in to the UK tax policy process, meaning there is no regular check on whether measures are still achieving objectives, or if they are value for money for the UK' (Whiting, 2017). Andrew Tyrie MP, [a previous Chair of the Treasury Committee] argued that the House of Lords might be able to overcome insufficient post-legislative scrutiny in the House of Commons, 'not least because of the exclusion of Finance Acts from the Constitution Committee's 2004 recommendation that most Acts should normally be subject to review within three years of their commencement, or six years of their enactment' (Tyrie, letter to OTS, Dec 2016 in Rutter *et al*., 2017: 38).

A Ministry of Taxation 'with a cabinet minister separately responsible for the delivery of tax policy' has also been proposed (Murphy, 2017: 21). Tax policies would be open to greater scrutiny and accountability than HM Treasury has allowed (Hodge, 2016). This could avoid the many problems created by little debated changes to, for example, pension tax allowances and ceilings and the Higher Income Child Benefit Charge which have resulted in unfairness, increased complexity and some counter-productive inefficiencies.

Broader policy options

How far any of these options can be developed is debatable. Many cogent proposals in the past have not led to significant developments that have adequately engaged with the means-enhancing nature of most fiscal welfare. An absolute limit might have to be set on total tax reliefs above the basic personal allowance that any individual or corporate taxpayer could claim. Such a limit of £5,000 or £10,000, proposed some years ago, might be modified to allow certain reliefs or allowances under particular circumstances such as disability, but up to specific ceilings.

A more thorough strategy may be needed to bring the subterranean workings of all forms of tax relief into the political and policymaking light. Norwegians, for example, have been able to obtain 'individual information on income, wealth, and income and wealth taxes paid' via the internet since 2001. Previously paper catalogues revealed tax information in some areas. In 2014 the rightwing government added the requirement that the identity of the enquirer should be revealed to the person whose data are requested. A drop from 16 million requests a year to 1.5 million probably meant fewer neighbours inquiring about each other. The public disclosure has deterred tax evasion to a certain extent (Slemrod *et al*., 2013) and may have helped to reinforce lower levels of inequality. Finland and Sweden also have arrangements for revealing individual pay and direct taxes.

Conclusion

'Taxation is part of the overall socio-cultural-economic system which constitutes the social world' (Byrne and Ruane, 2017: 117). In consequence the long neglect of fiscal welfare and its contribution to reinforcing and even enlarging social and economic inequalities is an indicator of where the power lies. Its persisting hidden impact provides a

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fine example of Steven Lukes' conclusion: 'Power is at its most effective when least observable' (Lukes, 2005: 1). It is part of *The Irresponsible Society* (Titmuss, 1959, in Alcock *et al*., 2001, part 4: 1). 'No one in either the Treasury or HMRC is accountable for either the value for money or the cost of tax measures', as the *Better Budgets* team concluded (Rutter *et al*., 2017: 31, cited above). Accountability needs to be established and the lack of transparency overcome if a fairer tax system is to be established and poverty and inequality significantly reduced.

There is a '"world of difference between the scrutiny of expenditure and that of tax expenditure" (Corlett, 2015), even when both policy instruments are used for similar objectives and their effects on the budget and on income distribution are equal' (Redonda and Neubig, 2018: 4). Fuller and better data are required to allow regular comparison of public and tax spending to help promote a better-informed discussion of how to bring about a fairer distribution of resources across society. This will reveal the greater extent of government activity in social policy outside the public welfare state (Ferge, 1980; Farnsworth, 2019). It will also make clearer the differences in treatment between services supported by fiscal and public welfare in terms, for example, of the extent of help, methods of updating, conditions for eligibility and how long it may be backdated. It will challenge the different discourses of tax and spend and their reinforcement of status and stigma.

Rigorous and systematic examination comparing the relative means-enhancing effect of fiscal welfare alongside public welfare, increasingly means-tested and residual, is urgently needed. This will reveal the extent to which there are personal, familial and wider impacts from forms of fiscal welfare that succeed in 'nurturing privilege' (Titmuss, 1958: 52) and 'naturalising inequality' (Platt, 2005: 24) to the disadvantage of those more dependent on public welfare. This will provide a contribution to more determined policymaking to contain inequalities and prevent poverty very much more effectively.

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