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Current benefit and taxation system – unfit for purpose

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The tax and benefit system needs a radical redesign to fit it for the 21st century according to a new policy paper from experts at the University of Birmingham and The Centre for Welfare Reform. They argue that the Coalition government's plans for reform, although well motivated, are fundamentally flawed.

The paper makes seven main recommendations including an integration of the tax and benefits system into one system and a guaranteed minimum income for all through a non-means tested benefit.

Fair Income – Tax-Benefit Reform in an Era of personalisation is published today

1. The integration of the current tax and benefits into one coherent system

2. The development of a more supportive and consistent approach to families, in all their forms

3. The simplification of tax-benefit calculations into one set of questions

4. A minimum income for all delivered through a universal, non-means-tested, benefit

5. Fairer rates of taxation, removing the extreme disincentives for the poorest

6. A constitutional right to a minimum guaranteed income and to fair taxes

7. A public committee to shape the core entitlements: open to submission and scrutiny

Lead author Dr Simon Duffy explains:

"*The current government has committed itself to the first radical redesign of the tax-benefit systems since World War II. The question that arises is whether it will be effective in actually making the UK a fairer and more decent place to live.*

Unfortunately, while some their analysis of the failings of the current system is fair, their proposed solution is inadequate. We propose a far more radical solution that recognizes the changing nature of society. We want to see a simplification of benefits so entitlements are clear, fair and easy to access. This type of system will help promote responsibility, encouraging citizens to pay taxes and support each other.

Providing benefits should not damage people's incentives to earn or damage the family unit."

The paper presents a series of arguments outlining the need for radical change. These focus on both the economic necessity for a more efficient system and the need to meet the changing nature of modern society.

The principal unfairness of the current system is that it enmeshes millions of people in a dependency relationship with the state in which people and that their income security depends upon not earning, not saving, not building their family and not making the best use of their talents.

Professor Jon Glasby explains:

"*The current systems locks people into poverty and damages their ability to do the best they can for themselves. A better system would start with a broader conception of the capabilities that underpin a good life and would be more sensitive to providing the support and incentives necessary for self development.*

This model is imperfect; but it reminds us that if our primary concern is the quality of people's lives then money is only one aspect of real wealth. It is not just money, but it is the exercise of our talents, development of relationships and engagement with community that is necessary for human development. So when examining our welfare arrangements it is not the size of public spending or even the level of minimum income on its own that we should be concerned with."

As well as the issues relating to society issue the report argues that the current system is so confusing and complicated that it diminishes our rights as citizens.

Simon Duffy adds: "*Because people don't know what they are entitled to then they are not citizens, instead they are subjects - subject in this case to the remote and inexplicable power of a bureaucratic state. Systems of social welfare need to adapt to changing social circumstances.*

Structures upon which the post-war welfare settlement was based have been eroded, partly by factors driven by the welfare state itself and partly by external factors. The time for a radical reform is overdue."

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