

Pre Budget Report – a lesson for Mr Darling as to why he should not be tampering with higher rate relief!

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Tax System Explained In Beer

Suppose that every day, ten IFAs went out for beer and the bill for all ten came to £100.

They paid their bill the way we pay our taxes, something like this

The first four IFAs paid nothing.

The fifth paid £1.

The sixth paid £3.

The seventh paid £7.

The eighth paid £12.

The ninth paid £18.

The tenth IFA (the richest) paid £59.

The ten IFAs drank in the bar every day and seemed quite happy with the arrangement, until one day, the owner made them an offer.

"Since you are all such good customers," he said, "I'm going to reduce the cost of your daily beer by £20." Drinks for the ten now cost just £80.

The group still wanted to pay their bill the way we pay our taxes.

So the first four IFAs were unaffected.

They drank for free. But what about the other six IFAs? The paying customers?

How could they divide the £20 windfall so that everyone would get his fair share?'

They realized that £20 divided by six is £3.33. But if they subtracted that from everybody's share, then the fifth IFA and the sixth IFA would each end up being paid to drink his beer.

So, the bar owner suggested that it would be fair to reduce each IFA's bill by roughly the same amount, and he proceeded to work out the amounts each should pay.

And so the fifth IFA, like the first four, now paid nothing (100% savings)

The sixth now paid £2 instead of £3 (33% savings).

The seventh now pay £5 instead of £7 (28% savings).

The eighth now paid £9 instead of £12 (25% savings).

The ninth now paid £14 instead of £18 (22% savings).

The tenth now paid £49 instead of £59 (16% savings).

Each of the six was better off than before. And the first four continued to drink for free. But once outside, the IFAs began to compare their savings.

"I only got a pound out of the £20," declared the sixth IFA.

He pointed to the tenth IFA, " but he got £10!"

"Yeah, that's right," exclaimed the fifth IFA. "I only saved a pound too. It's unfair that he got ten times more than I!"

"That's true!!" shouted the seventh IFA. "Why should he get £10 back when I got only two? The wealthy get all the breaks!"

"Wait a minute," yelled the first four IFAs in unison. "We didn't get anything at all. The system exploits the poor!"

The nine IFA surrounded the tenth and beat him up.

The next night the tenth IFA didn't show up for drinks, so the nine sat down and had beers without him. But when it came time to pay the bill, they discovered something important. They didn't have enough money between all of them for even half of the bill!

And that is how our tax system works.

The people who pay the highest taxes get the most benefit from a tax reduction.

Tax them too much, attack them for being wealthy, and they just may not show up anymore.

In fact, they might start drinking overseas where the atmosphere is somewhat friendlier.

For those who understand, no explanation is needed.

For those who do not understand, no explanation is possible.

Where does Mr Darling fit?

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