

at "abuses" and "loopholes" such as surplus stripping, tax havens, expense account living and tax deferrals, which in our view are not widespread (less than 1% of revenues) nor beyond the power of the Department of National Revenue to control. Implementation of all the White Paper proposals would undoubtedly provide openings for new loopholes, and in the process of closing them fresh disputes would arise between taxpayers and tax officials, with accompanying delays in decisions due to lack of legal precedents. Those likely to be hurt most in this process would be the innocent and unsuspecting who would be unable to afford legal or accounting aid. Furthermore, some proposals have already been identified as being unworkable; a number are considered likely to create problems.

3.38 Despite the White Paper's wide scope, it is only a part of overall "tax reform". We have already had a tightening of some aspects of estate and gift taxation while further reforms, such as in respect of sales taxation and depreciation allowances, have not been drafted as yet. Changes in these latter respects could completely alter taxpayer views as to the equity of the present proposals taken in conjunction with the other changes.

3. Blocking Loopholes

3.37 Finally, while encouraging understanding and voluntary compliance by means of simplification, the proposals are also intended to provide detailed provisions to "block loopholes". The present system is not unround and too much effort is directed