

TAXREP 32/00

TREASURY SUB-COMMITTEE'S FOLLOW-UP INQUIRY INTO H M CUSTOMS AND EXCISE AND THE INLAND REVENUE

Memorandum submitted in October 2000 by the Tax Faculty of the Institute of Chartered Accountants in England and Wales to the Treasury Committee of the House of Commons for its follow-up inquiry into H M Customs and Excise and the Inland Revenue announced in July 2000

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TREASURY SUB-COMMITTEE'S FOLLOW-UP INQUIRY INTO CUSTOMS AND EXCISE AND THE INLAND REVENUE

INTRODUCTION

1. We are grateful for this opportunity to submit evidence to the Treasury Sub-committee.

Who we are

2. The Tax Faculty is the focus for tax within the Institute of Chartered Accountants in England and Wales. Our membership numbers over 10,000, of which over half are practising tax accountants and the majority of the remainder are in business. We represent not only our own members but also all of the 118,000 or so chartered accountants that deal from time to time with the Inland Revenue and Customs and Excise.
3. We have been actively involved in consultations with the Inland Revenue relating to self assessment and have attended many meetings and made representations on key issues. We provided written and oral evidence in connection with the Treasury committee's inquiry into the Inland Revenue. Our written evidence to this earlier inquiry was published as TAXREP 5/99. We were pleased to attend the subsequent Treasury Committee hearings and provide oral evidence. We are equally involved in consulting with Customs and Excise on a range of tax matters.

EXECUTIVE SUMMARY

4. Our views are summarised below:
 - in the long term we support a merger between Customs and the Revenue;
 - in the short term it is important that resources are concentrated on ensuring that the merger between the Contributions Agency with the Revenue is completed;
 - once the merger is completed in a few years' time it should be reviewed to see whether it is achieving its stated objectives;
 - closer working by Customs and the Revenue is to be welcomed but taxpayers need to be adequately safeguarded;
 - the revenue departments should extend their work auditing tax systems;
 - in the short term Customs needs to revamp its website and make it consistent with the Revenue's site;
 - in the longer term all tax (and related information) should be posted on a single website, which should include an automatic e-mail update;
 - the Revenue and Customs should look to produce more joint tax-related publications;
 - Customs should look to publish something similar to the Revenue's Tax Bulletin;
 - the Revenue should give higher priority to NIC matters;
 - national insurance internal manuals should be available on the web in a user-friendly format;

- the processing of tax returns by the Revenue and the content and format of the resultant output needs improving;
- the reasons for late filing of income tax returns need to be ascertained;
- taxpayer confidence in e-filing of returns needs to be restored;
- the incentive to smuggle needs to be ascertained and addressed;
- a fall in public perception of the value of participating in consultation needs to be addressed;
- the underlying concepts of tax law as well as the language need to be simplified;
- the compatibility of UK tax law with human rights and European laws needs to be confirmed;
- new measures should not be introduced without an independent assessment of the costs and benefits;
- Government and revenue department pronouncements should be unambiguous and free of spin.

DETAILED COMMENTS

Merger between Revenue and Customs/closer working

5. We note the Sub-committee's recommendation (as set out in paragraph (1) of the summary of conclusions and recommendations into H M Customs and Excise) that Customs and Excise and the Inland Revenue should be merged. We fully support this recommendation. We note the Government's response to this recommendation that, whilst it has no preconceived position on a merger, it concluded that the risks outweigh the possible benefits. However, we are not convinced by some of the reasoning to support this conclusion. For example, it is not true that all direct taxes are periodic and accounts based. Stamp Duty is in effect a transaction based tax and is increasing in importance. Stamp Duty Reserve Tax is a transaction based tax. Both are (and always have been) administered successfully by the Inland Revenue. Indeed, the Revenue has recently announced that the Stamp Office has now been merged into the Capital and Savings Division and that this will lead to further benefits.
6. The above example highlights that different types of taxes can be accommodated successfully within a single structure. We suspect that there are few other developed countries in which direct and indirect taxes are administered separately although we are aware that the US does separate Customs Duties from other taxes. The existence in the UK of two revenue departments is based upon a historical division which countries with more modern tax systems do not appear to consider necessary. In the long term, further integration between Customs and the Revenue is desirable.
7. There are difficulties with a full merger. For example, the powers available to the Revenue and Customs are not the same. We would not wish to see the Revenue being granted the same powers for dealing with individual taxpayers as are available to Customs for dealing with such matters as drug smuggling.
8. Whilst we support the recommendation of a merger in principle, this is an objective for the medium to longer term. The Inland Revenue is already committed to a three-year programme to merge the Contributions Agency. This should be allowed to be completed and reviewed before any final decision is taken concerning a merger between the Inland Revenue and Customs and Excise.

Closer working

- 9 Aside from the possible long-term merger of Customs and the Revenue, it clearly makes strategic sense for the two departments to work together much more closely. 'Thus, the 'closer working' initiative is to be welcomed. This should help to reduce the burdens for businesses. For example, one visit from the revenue authorities is less disruptive than two or even three visits. It is, however, too early to say whether this closer working is achieving this aim.
- 10 We think that closer working produces problems for taxpayers when the two departments have different powers. For example, it is unreasonable for taxpayers to be questioned in front of other people who may not have the power themselves to ask the same questions. It is important that compliance visits are properly supervised to ensure that taxpayers' rights are not infringed and that their confidentiality is respected. We also believe that adequate training has to be put in place to ensure that all revenue authority officers are aware of the rules under which they are operating and of the taxpayer's rights as well as taxpayer's obligations. We also have some concerns that closer working may prejudice taxpayer confidentiality.

System audits

- 11 We believe that both departments should be looking to increase further their checking (auditing) of taxpayers' systems that produce the figures rather than checking the figures that such systems produce.

Electronic communications

- 12 Whilst we realise that not all taxpayers use modern technology and the Internet, the Government's stated aim is to encourage the use of information technology and to ensure that citizens can communicate electronically with Government. It appears inevitable that electronic communications will be a major growth area in the next few years.
- 13 That being so, it is important that the revenue departments adopt a much more consistent approach to electronic communications than they have adopted hitherto. For example Customs and the Revenue have separate websites which are very different in the way the information is presented. For example, Customs site makes a distinction between public information and information for businesses, a distinction which makes the site difficult to navigate and which we think is wrong in principle.
- 14 We think that if there are to be separate websites, then they should be structured in a similar way with consistent presentation of information. We think that the Revenue's site is much better in this regard. Customs should therefore look closely at, and learn from, the Revenue's site and try and create something similar.
- 15 In the longer term, we would see this development as a step towards a merged website which would bring all information on revenue matters together.
- 16 We also note that the Treasury, as well as other Government departments such as the Lord Chancellor's Department, sometimes post information to their websites relating to tax. For example, sometimes the Treasury undertakes consultations on tax issues directly rather than one of the two revenue departments. In the short term, the revenue
- /opt/JQWA/WF/d9ed4c00-9c68-4049-9c84-13ccaa5c4d19/2c2aa6a7-643b-4d0d-ae13-d9dd986fea72/downloaded-content/b2426975-2d02-4cd4-a2fc-749bf7f25c9a.odt 4

departments should ensure that their own sites always cross refers to any relevant material posted by another Government department site. In the long term all revenue related material, whether it originates from the Revenue, Customs, the Treasury or some other department, should be posted to one central site.

- 17 The Revenue and Customs websites should provide a facility for regular visitors to subscribe to an automatic email service detailing new information posted to the sites. This facility is currently available on the Treasury site but it would be much more useful if it was available on the Revenue and Customs websites.
- 18 There are areas where it would be helpful if all revenue related information was contained in one publication. We believe that this can provide major benefits and we welcome the draft joint publication of information for charities. Customs and the Inland Revenue should work more closely to identify areas where joint publications would be useful.
- 19 The Revenue issues a bi-monthly 'Tax Bulletin', which is an invaluable source of guidance and reference. Customs do not have a similar publication, although they issue ad hoc 'Business Briefs' which tend to concentrate on specific topics and technical issues. We think that Customs should consider issuing its own 'Tax Bulletin' on a regular basis, perhaps alternating every month with the Revenue's Tax Bulletin. This Bulletin should be structured and presented in a similar way to that produced by the Revenue.
- 20 In the longer term, both departments should look to produce electronic newsletters on a regular basis.

Inland Revenue

Merger of the Revenue and the Contributions Agency

- 21 The Contributions Agency and the Revenue have now been merged for 18 months. They are therefore only about half way through the three-year period that we agreed beforehand was a sensible timescale for a full merger. Therefore, we are not yet in a position to review the merger and identify whether the expected benefits have been achieved. We suggest that a review of the merger be undertaken once the three-year period has finished, say, in mid 2002.
- 22 We have received some reports from our members which suggest that there has been a fall-off in service in National Insurance matters. We suspect that this is for a number of reasons, but it would appear that in reality the Contributions Agency was 'taken over' by the Inland Revenue with the result that, rightly or wrongly, NIC work may be considered to be the poor relation in the merged operation.
- 23 NIC should not be viewed in this light. National insurance is an essential part of the enlarged Inland Revenue. NIC raises a substantial amount of Government revenue. Page 14 of the 2000 Red Book states that national insurance receipts for this year are estimated to be £59bn as compared to income tax receipts of £96bn, corporation tax receipts of £34bn and VAT receipts of £60b

24 Reported problems are that NIC training does not appear to be adequate and that much of the former expertise in NIC within the Contributions Agency has disappeared as former specialist NIC personnel have left or moved elsewhere and not been replaced with personnel of equal experience.

25 We are disappointed that the Inland Revenue website rather confirms that these concerns may be justified. The word 'National Insurance Contributions' does not feature anywhere on the Revenue's home page, either in the 'Gateway' or as a 'Featured area'. The practical result is that even those who know that the Revenue now deal with NIC matters have to look hard before they find the information that they need. We think that the Revenue's website should give more prominence to NIC material.

Up to date-leaflets

26 One welcome benefit of the merger appears to be that the publication of NIC leaflets is now more controlled and integrated with the Revenue's existing publications. The result is that NIC leaflets are being updated on a much more systematic basis.

NIC manuals

27 The publication of the Revenue's internal guidance manuals has been a welcome development in the last few years, even more so now that they are available for free on the Revenue's website. However, when we turn to the question of the publication of the internal manuals of the (former) Contributions Agency, the position is woeful. No manuals have been published so far and, in spite of repeated pressure, no timetable for publication has yet been made available. This is in spite of the fact that a manual has been published for the Working Families Tax Credit and (apparently) one will be published shortly on the National Minimum Wage.

28 The NIC manuals must be published as soon as possible. If, as we suspect, the manuals contain a substantial volume of material and cannot all be published at the same time, then they need to be published in tranches as soon as is practicable. .

Merger of income tax and National Insurance

29 We cannot escape the conclusion that whilst the merger of the Contributions Agency and the Revenue was a step in the right direction, it can never be the total solution. The merger has highlighted the high degree of complexity and difficulty concerning the interaction of income tax and national insurance. We recommend that a detailed impartial study should be undertaken to identify how the two systems can be more closely integrated. We recognise that some work is going on in this area.

30 The ultimate aim should be to merge income tax and NIC. We appreciate that this approach is contentious and has a political dimension. Nevertheless, the distinction between the two has become blurred; for example when NIC was introduced most benefits were earnings related but now this is not the case. We believe that the combined income tax and NIC system is far too complicated and that steps should be taken to simplify the system. It will require radical action and this is likely to involve a thorough overhaul and simplification of NIC.

Reductions in the burdens on businesses

- 31 We note that the Revenue has now issued a consultation paper on starting a business which, amongst other recommendations, suggests that there should now be a flat rate penalty introduced for the self employed who do not register promptly for NIC. We are not convinced that the present systems for registering for tax, VAT and NIC work particularly well. We think that there should be a single co-ordinating body for initial registration with the tax and revenue authorities. The Inland Revenue may be the most appropriate body to perform this function.

Progress in operating self assessment

- 32 We have commented extensively in the past on the Revenue's progress in operating self assessment. The number of problems in operating self assessment remains stubbornly high, but we welcome a new willingness on the part of the Revenue to listen to the problems and work towards solutions.
- 33 However, the one aspect of self assessment that continues to concern us the most is what the taxpayer and his agent receive back from the Revenue when a tax return is submitted. The figures on Revenue output may be incorrect, perhaps because items on tax returns have been processed incorrectly by computer operators (for example figures mispunched or tick boxes ignored), the format of the output is often confusing (for example it is difficult to trace individual payments that have been allocated to more than one item through to statements of account) or illogical (for example a taxpayer may receive a revised notice of coding restricting allowances to collect an underpayment of tax and a repayment order both relating to the same year) or just unhelpful (statements of account do not show the taxpayer's national insurance number).
- 34 Whilst, as mentioned below, the Revenue is willing to listen to practitioners, taxpayers and representative bodies and is trying to resolve complaints, we gain the impression that they can only do so much within their resource allocation and that fundamental problems resulting from incompatible and ageing computer systems and systems that were not adequately tested or consulted on are having to be patched up on a make-and-mend basis. We suspect that a fundamental overhaul of the computer system is required.

Working together – register of issues

- 35 Firstly, we welcome the establishment of the Working Together Initiative established jointly between the Revenue and the various representative bodies. We are very pleased to be a part of this Initiative. This appears to us a practical forum to identify and resolve issues relating to self assessment. The 'register of issues', which sets out the outstanding problems in relation to self assessment, is a sensible way to monitor and control both the problems and the solutions. We have been concerned for some time that self assessment had damaged relationships between tax agents and the Inland Revenue and this initiative should help to re-establish confidence in the system and lead to improved relations.

Late filed returns

- 36 The Government's response to the Treasury Sub-committee's concern about the number of late filed returns appears to show a persistently high number of late filed returns. We would be interested to know the number of tax returns received before the 30 September 2000 deadline as compared to previous years.
- 37 We find this persistently high number of late returns worrying and we are concerned lest a culture of poor compliance becomes established. We suspect that the reasons for this persistently high number are due in part to the increased complexity of the UK tax system and the major changes made each year to the tax system. Clearly, some taxpayers will always take a lax approach to completion of their tax returns but we would have thought that they would be in a minority. The fact that the Tax Calculation Guide 1999/2000 runs to 29 pages is symptomatic of a more deep seated problem; many taxpayers have no real understanding of what they are trying to do and are too afraid to seek help.
- 38 We suspect that this is a fundamental problem at the heart of the self assessment system and that it is not acceptable for the Revenue to ignore the issue and merely collect the fines. Self assessment was, and still is, 'sold' as a 'clearer tax system' but this does not appear to be reflected in improved taxpayer compliance; rather, taxpayer compliance may be deteriorating.
- 39 This is a cause for concern, particularly because with earnings rising faster than tax thresholds, more and more taxpayers will move into the higher rate and will therefore need a tax return. Unless taxpayer compliance is improved, the actual numbers of late filed returns will increase, throwing further strain on the system.
- 40 We think that a detailed, preferably independent, study needs to be made as to why taxpayer returns are not being submitted in time and the possible reasons for this. In addition to improved taxpayer education, it may be necessary to not only impose penalties on those filing late but also to provide incentives for taxpayers to file early. At present the only incentive is that if you file before 30 September then the Revenue will calculate your tax, but it also leaves taxpayers exposed to a longer 'window' when their return may be subject to enquiry.
- 41 It would be helpful if the Revenue were compelled to provide detailed statistics on a monthly basis of the number of returns issued and the number returned. It should then be possible to build up a taxpayer compliance history and to identify trends more easily.

E-filing

- 42 We understand that only 30,000 returns were submitted electronically by 30 September 2000. Whilst this may be acceptable in the first year of a new system, it is clear that the e-filing system has been plagued by problems and confusion. It is vital that the Revenue resolves quickly the problems surrounding e-filing and acts to restore confidence in the system.

Customs and Excise

Smuggling

- 43 We note and share the concerns expressed by the Treasury Sub-committee concerning the rise in smuggling. It is clear that the Government is also very concerned about this issue. It is a matter of grave concern. In addition to the lost duties and taxes, it damages legitimate businesses.
- 44 We note the recent announcement of a £3m six month advertising campaign ‘Don’t be blind to crime’ designed to bring alert the general public to the problem and to send a ‘hard message’ to smugglers of the risks of being caught.
- 45 We do not think that this initiative, by itself, is sufficient. We note and agree with the Sub-committee and the Government that the issues are complicated and difficult to resolve. However, the recent fuel crisis has shown that if the general public is not sympathetic to Government policy, then serious problems can result. Shortly after the last Budget, many commentators warned that the amount of duty of cigarettes was at such a level that it now merely encouraged smuggling, and that the general public was turning a blind eye. These warnings are being borne out in practice.
- 46 Smugglers clearly consider that the potential rewards from smuggling are sufficient to outweigh the risks of being caught. Crucially, Customs pointed out in their press release accompanying the above initiative that most smugglers have already been convicted of other offences. Customs are dealing here with criminals and the approach they adopt must reflect this fact. In the short term, we wonder whether the money on this campaign would be better spent upon improved detection techniques and more rigorous enforcement. In the long term, the financial rewards of smuggling must either be reduced or the risk of being caught and prosecuted increased; in practice it may require a combination of both of these. It is also important that smuggling does not enjoy tacit acceptance by the general public, but this will be difficult to achieve if UK duty rates remain so much higher than in the rest of Europe.

Sheldon Doctrine

- 47 We note the undertaking of Customs to produce a code that clarifies the obligations and parties in respect of written rulings. We look forward to the publication of a draft code for comments shortly.
- 48 We also note the recommendations in respect of appeals against written rulings and the proposal to consider examining a right of appeal against any final decision of the revenue departments. We believe that this is essential, particularly in view of the Human Rights Act 1998 (see our comments below).

Civil evasion of VAT

- 49 We welcome the start of a new approach to the ‘civil evasion’ of VAT. This yearlong trial was announced in Business Brief 11/2000 and started on 1 September 2000. In effect, Customs are introducing a procedure similar to that used by the Revenue allowing them to reach ‘negotiated settlements’ with traders. This approach appears to us an example of how Revenue and Customs can align their procedures and also undertake joint working. This should have benefits for the revenue departments and traders and should be encouraged. We await with interest the results of the trial and details of whether it proves to be successful.

Other points

The consultation process

- 50 We have expressed our concern over the past year about a number of aspects of the consultation process. We are pleased that the Cabinet Office recently issued a proposed Code of Practice on consultation. On the assumption that this Code is adopted, it is important to the success of consultation that exercises follow this Code. It is essential that all consultations are undertaken genuinely, without the result being decided beforehand, and that participants are granted sufficient time to respond.
- 51 Very tight deadlines means that the consultation process is weakened by not providing sufficient time for interested parties to consider all the relevant issues. This particularly impacts on representative bodies who need time to solicit views from their members. We believe in normal circumstances there should be a three-month time period made available for all consultations allowing a window of opportunity for active discussion on the issues to take place.
- 52 Certain consultation exercises undertaken in the last year have not been successful, most notably in relation to IR35 and double taxation relief (DTR). In the former case, the Revenue made it clear that they were not willing to consult on the details of the structure arising out of the policy but just the presentation. The result has been that the implementation of IR35 has been beset by problems. We think that had there been proper consultation on the detailed structure of the IR35 rules, the measures could have properly targeted in accordance with Government policy and that many of the problems that have beset these rules could have been avoided.
- 53 In respect of the DTR consultation, most of our members who responded to this consultation (and engaged in DTR workshops with the Revenue) were very disappointed with the outcome. It was unreasonable for the consultation period to close on 30 September 1999 and for there then to be nearly a six-month gap during which nothing further was mentioned about what, if any, action the Government might take. After this silence, major changes were announced not by the Chancellor but by a Budget Day press release, followed by complex draft legislation upon which comments were requested in three weeks. We did not receive a satisfactory explanation as to why the Revenue set a deadline of three weeks for comments on the draft legislation when the clauses would in any event be published in the Finance Bill and debated at a later date. In view of the highly critical responses to the rules and the approach, complicated onshore pooling rules were then introduced at the Report Stage and became law with little effective debate. All in all this consultation reflected little credit on those responsible.
- 54 It is important that the Revenue learns from its mistakes made with these consultations. If the mistakes are repeated in the future, it is inevitable that our members will question whether it is worth giving their time freely to help shape and improve the UK tax system.

Tax simplification

- 55 The Sixth Special Report invited the Government to set out proposals for a programme of tax simplification. The Government's response was disappointing. The only
- /opt/JQWA/WF/d9ed4c00-9c68-4049-9c84-13ccaa5c4d19/2c2aa6a7-643b-4d0d- 10
ae13-d9dd986fea72/downloaded-content/b2426975-2d02-4cd4-a2fc-
749bf7f25c9a.odt

example it quoted of a 'simpler' system was the abolition of advance corporation tax. Our concern is that due to the volume of legislation introduced in recent years, taxpayers are finding it impossible to understand or comply with the tax rules. There is also circumstantial evidence that the Revenue staff is also finding it difficult to understand and implement constant changes in rules and increased complexity. It is then a short step to taxpayers questioning their responsibility to comply with the rules. Once that happens, the integrity of the tax system will have broken down.

56 We think it is vital that steps are taken to simplify the UK tax system. The Tax Law Rewrite project, whilst an important project which deserves our support, is not by itself enough. The project has already identified many areas where the underlying tax law should be simplified, but these are outside the scope of the project. We do not think that they should be. The Tax Faculty has begun a campaign 'Towards a Better Tax System' designed to raise awareness of the pressing need for tax simplification and to bring about a long-term improvement in the UK's tax system. We have developed ten principles that we believe should underpin all tax legislation. These are included in the Appendix to this paper.

57 There is already a widely held view that the Tax Law Rewrite will not succeed in its objectives because complicated new legislation is being introduced at a faster rate than the tax rules are being rewritten. It now appears that, far from the project lasting five years, it will last indefinitely.

58 We believe that the time has come to establish a Parliamentary Select Committee charged with the task of simplifying the UK tax system. This would have the advantage of being able to call on experts both from within and outside of Parliament.

Human Rights Act 1998 and the impact of EU laws

59 We are increasingly concerned that with the implementation of the Human Rights Act 1998 and the impact of EU law and Court Decisions, the legal basis of many provisions in the UK tax rules may be thrown open to question. This is not satisfactory, but we believe that taxpayers will increasingly use these weapons to fight oppressive rules. A typical example is the recent application for a judicial review of the IR35 rules. We suspect that this is the first of many such cases. Another example is VAT, where the right of appeal is limited to the items in section 83, VAT Act 1994.

60 We appreciate that the Revenue has to an extent taken steps to reduce the likelihood of challenges in these areas. However, we suspect that there are still many other areas where the Revenue and Customs and Excise may be vulnerable to a challenge. The UK tax and NIC rules should be examined in detail and steps taken to reduce the possibility of challenges in these areas in the future. In particular, this is likely to include an automatic right of appeal against any decision of the revenue authorities.

Compliance costs and regulatory impact assessments

61 We are concerned at the increasing compliance burdens on taxpayers. It is vital that reasonable attempts are made to quantify taxpayer compliance costs. We welcome the introduction of 'Regulatory Impact Assessments (RIAs)' which seek to explain the costs and benefits of proposed rules but we believe that the figures arrived at should be subject to independent scrutiny. We appreciate the need for taxpayer confidentiality

but unless the Revenue is prepared to justify its figures, it is inevitable that doubt will be cast on their validity.

- 62 We believe no new laws should be introduced without first considering the compliance burdens on business, individual taxpayers and those who have to administer the new provisions. The compliance burdens should include the wider implications of any new legislation such as a consideration of possible distortions in economic behaviour.

The excessive use of 'spin'

- 63 We have been concerned for some time that information produced by the Revenue departments has too much emphasis on 'spin' which in some instances obscures the facts and can be misleading.
- 64 For example, on 11 August 2000, the Revenue issued a press release entitled 'Childcare provision by employers exempted from National Insurance'. However, contrary to the implication in the title, there was no new exemption for childcare. The accompanying Regulations were actually confirming the administrative arrangements for the increased scope of Class 1A NICs to include most benefits in kind. Many employers who do not provide childcare but do provide other benefits in kind may not have realised that this press release affected them.
- 65 It is vital that any communications from the revenue departments seek to explain the impact of the rules accurately and are not used in such a way that can, however unintentionally, mislead taxpayers. Until two years ago, Revenue press releases explained legislation and the reasons why it was needed whereas now there is a greater emphasis on the objectives. This creates confusion and reduces understanding and is a retrograde step.

Further information

- 66 We are of course happy to provide any further information on any of the issues we have raised above. We would also be happy to give oral evidence before the Committee if you believe that would be helpful.

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20.10.2000

THE TEN TENETS

TENET ONE

Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.

TENET TWO

Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.

TENET THREE

Simple: the tax rules should aim to be simple, understandable and clear in their objectives.

TENET FOUR

Easy to collect and calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.

TENET FIVE

Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining simplicity and certainty of the tax system by targeting it to close to specific loopholes.

TENET SIX

Constant: changes to the underlying rules should be kept to minimum. There should be a justifiable economic and/or social basis for any changes to the tax rules and this justification should be made public and the underlying policy made clear.

TENET SEVEN

Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.

TENET EIGHT

Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.

TENET NINE

Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.

TENET TEN

Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in, and with, the UK.