Tax Representation

TAX FACULTY

# TAXREP 23/08

# A NEW APPROACH TO COMPLIANCE CHECKS

***Comments submitted on 11 March 2008 by the Tax Faculty of the Institute of Chartered Accountants in England & Wales to HM Revenue & Customs in response to the consultation document 'Modernising Powers, Deterrents and Safeguards: A New Approach to Compliance Checks' issued on 10 January 2008.***

| **Contents** | **Paragraphs** |
|---|---|


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# A NEW APPROACH TO COMPLIANCE CHECKS

## INTRODUCTION

**1.** In this document we present the comments of the Tax Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) on the consultation document *Modernising Powers, Deterrents and Safeguards: A New Approach to Compliance Checks* (the Condoc) issued by HM Revenue & Customs (HMRC) on 10 January 2008.

**2.** We welcome the opportunity to comment on the detailed proposals set out in the Condoc of 10 January 2008. We concentrate below on the details of these proposals. Our views on the proposals themselves were set out in our representations of 19 August 2007 (TAXREP 55/07) in response to the consultation document of 17 May 2007 and are broadly unchanged from what we said there.

**3.** We would be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

**4.** Information about the Tax Faculty and the ICAEW is given in Annex A. We have also set out, in Annex B, the Tax Faculty's ten tenets for a better tax system, by which we benchmark proposals to change the tax system.

## KEY POINTS SUMMARY

**5.** The key points in our response are as follows:

***Record-keeping***

- We agree that record-keeping requirements should be stated in primary legislation, and should be stated in general terms rather than made prescriptive.
- Secondary legislation should be used only for specific areas. We are opposed to the use of 'tertiary' legislation.
- We think it important that HMRC guidance should be exactly that, just guidance and not treated as compulsory, and that this should be clear to both taxpayers and HMRC staff.
- The concept of materiality should be applied in determining the degree of detail in which records should be kept for tax purposes.
- We would welcome a facility for direct taxpayers to request a shortening of the time limit for retaining all of their records, provided that the request for a shorter time limit did not generate an enquiry.
- We do not believe it appropriate for HMRC to prescribe the form of records. The only requirement ought to be that the business should be capable of producing the records in a form that can be read by HMRC.

***Information powers***

- We agree that where a taxpayer is not issued with a self assessment tax return HMRC should be able to require production of statutory records at an agreed place. Where a taxpayer is issued with a tax return we do not believe that HMRC ought to have a right of production in addition to that under their enquiry powers.

- There should be a right of appeal against HMRC's use of the power to see statutory records. Giving just a right of appeal against a penalty for non-production unfairly pressurises the taxpayer to produce records even if he or she believes they are not relevant.

- Similarly there should be a right of appeal against the power to inspect assets and premises. It is not satisfactory that the only safeguard that this would be exercised in a reasonable way is that HMRC internal guidance will say so

- We are strongly opposed to pre-return checking to confirm that appropriate records are being kept. The same applies to comparing record systems with business activity and to seeking to follow up IT, CGT or CT issues where the return is still to be done.

- We accept that it would be reasonable for HMRC to have a power to inspect records pre-return in certain circumstances, eg where it believes that a taxpayer ought to have registered for VAT.

- We welcome HMRC publicising to new businesses its willingness to provide advice, but this should not be done through the use of a statutory power.

- The use of any statutory power to visit business premises ought to be a last resort and only where the taxpayer has refused to make his records available at some other place, where fraud is suspected or where a visit to the premises is the only realistic way to carry out the check that the officer perceives is necessary.

- We think it essential that there should be a right of appeal against a notice to obtain supplementary information from the taxpayer. We are unclear why HMRC believes an alternative procedure where tax would otherwise be at risk is necessary.

- In our view ex parte authorisation to obtain information from a third party is incompatible with a taxpayer's human rights. Such applications should be limited to cases where the taxpayer cannot be identified. If an order is being sought against a third party the taxpayer ought to have the right to attend the hearing and make representations.

***Time limits***

- We are happy with aligning the time limits. A one-year enquiry window and a further three years for the taxpayer to obtain finality (except in the event of fraud or failure to take reasonable care) is a reasonable approach.

- We are opposed to granting additional powers to HMRC 'just in case' a need should arise at some future date, and do not feel that the Condoc has demonstrated a real need for an additional information power in respect of discovery.

- We agree that the right to ask for a closure notice is an important protection for taxpayers and that this ought to be retained.

***Safeguards***

- The most important safeguard for taxpayers is a right of appeal to the Tribunal. We think that the current proposals to restrict such rights in relation to information powers seriously undermine the balance between HMRC's powers and taxpayers' rights.

***Deterrents***

- We believe that penalties for failure to keep records should normally be suspended except where records have been deliberately destroyed.

- We are strongly opposed to the proposal for open-ended penalties to be fixed by the Tribunal, which we think is wrong in principle.

***Legislation***

- We are concerned at the amount that is left to be filled in by regulation. As much as possible ought to be primary legislation. We can see a limited role for secondary legislation in relation to complex technical areas of limited application and also in areas where the law may need to change frequently.

**DETAILED COMMENTS ON THE PROPOSALS**

The paragraph numbering in each section below relates to the paragraphs in the Condoc.

## 6. Record-keeping

4.16 We agree with the suggested option in 4.13 subject to the following provisos:

a) As far as we are aware the current requirements in s 12B, TMA 1970 and para 21, Sch 18, FA 1998, which require a taxpayer to keep the records needed to make a correct and complete return, are readily understood and we believe constitute a reasonable generic statutory requirement.

b) We are not wholly clear what is proposed for secondary legislation. We assume that this will not seek to expand generally on the generic requirement but will be limited to specific areas such as the existing additional record-keeping requirements targeted at MTIC fraud.

c) We are opposed to the use of 'tertiary legislation'. We think it unreasonable for a taxpayer to have to peruse HMRC guidance in the off-chance that it might contain statutory requirements somewhere

among the guidance. Furthermore if guidance is intermingled with statutory requirements, taxpayers can become confused as to where the guidance ends and the obligations begin.

d) We think it important that the guidance makes clear that it is no more than guidance and that a taxpayer can maintain whatever records he or she feels appropriate provided always that they meet the statutory requirement. We think that the original self assessment record-keeping guidance SA/BK4 is a good example of HMRC making clear that the requirement is to maintain the records that the taxpayer feels the business needs and then making suggestions as to the sort of records that a taxpayer might consider.

4.20 We believe that the materiality concept that applies for accounting purposes (and also for some tax purposes, as the starting point in calculating trading income is the accounting profits) ought to apply more generally for tax purposes. Where an item is immaterial and the amount can be estimated with a reasonable degree of accuracy it is clearly burdensome to expect a taxpayer to maintain records solely to enable an accurate figure to be arrived at. Subject to that we are not aware of any current record-keeping requirements that could be removed or changed.

We also believe that HMRC ought to put greater emphasis in their staff training on explaining that the business records that a taxpayer maintains have generally been designed to enable the business to be run efficiently. The records will also be needed so that the business can meet statutory requirements, but any record that has no management information value to a business will tend to be a pure administrative burden. Seeking to impose additional record-keeping requirements on a business where the extra degree of accuracy generated by those records is not significant is creating a burden on the taxpayer, which it is reasonable to impose only if the enhanced accuracy in the tax payable is likely to significantly exceed the costs of keeping the extra records.

4.21 The nature of the burdens imposed by record-keeping varies from business to business. For most businesses the main cost is the creation of the records. That is why we feel that the statutory requirement should not be prescriptive. A taxpayer ought to keep the records that he needs to run his business, plus in some cases such further records as his accountant advises him are necessary to enable his business accounts to be prepared. Such records will meet the current statutory requirements. Record-keeping becomes burdensome where records which gave no clear benefit to the business need to be created solely for tax purposes.

Retention of core business records is not normally burdensome. Retention of periphery records, such as business correspondence, delivery notes and suppliers' statements which have a more transitory use in the business, or no business use at all, can be burdensome where these are voluminous.

The inherent costs could be reduced if HMRC was prepared to accept alternative sources of evidence more readily.

4.25 We would welcome a facility for direct taxpayers to request a shortening of the time limit for retaining all of their records. We would however be concerned that a request for a shorter time limit might generate an enquiry, as an officer might feel that if records are to be destroyed he ought to inspect them first. We think it important that HMRC staff training make clear that the destruction of say, delivery notes, does not increase the risk as the supplier's invoice shows the transaction and a review of current delivery notes against invoices and stock records should adequately test the system in use for dealing with purchases.

4.27 As stated at 4.25 there is no business requirement for retaining many types of business records as the information that they contain will have been either reproduced or summarised in the cash book and ledgers and after a year or two the business is unlikely to need access to any additional information.

4.30 We do not believe it appropriate to seek to prescribe the form of records. A business might wish to change the format. For example paper records and print-outs of computer records might be microfiched. Where a business changes its computer system, records that it needs to access might well be converted from one computer language to another. The only requirement ought to be that when asked to do so the business should be capable of producing the records in a form that can be read by HMRC either visually or electronically.

## 7. Information powers

5.16 We agree that where a taxpayer is not issued with a self assessment tax return HMRC should be able to require production of statutory records at an agreed place. In the absence of agreement it should be for the taxpayer to decide where and when to make them available. Where a taxpayer is issued with a tax return we do not believe that HMRC ought to have a right of production in addition to that under their enquiry powers.

5.24 We do not agree that there should be no right of appeal against the power to see statutory records. If the statutory requirement is a generic one there are bound to be occasions where there is a disagreement between the HMRC officer and the taxpayer as to whether a particular record is a statutory one or supplementary information. We do not think it reasonable that a taxpayer should not be able to ask the Appeal Tribunal to adjudicate on this issue. Giving a right of appeal only against a penalty for non-production unfairly pressurises the taxpayer to produce records that he believes are not relevant to his tax affairs, and for which he is entitled to privacy, as the costs and risks inherent in a penalty appeal may be regarded as too high a price to pay to defend his privacy, which is one of his basic rights.

Similarly while we note that the power to inspect assets and premises would be by prior arrangement (5.20) and would need to be exercised in a reasonable way (5.23) we are concerned that the only reassurance for the taxpayer that this would be done is that HMRC internal guidance will say this. We think this unsatisfactory. A taxpayer ought to be able to appeal to the Tribunal if he believes that a proposed exercise of a power is unreasonable.

5.30 We are concerned that inspecting records pre-return creates a serious risk that an officer might misunderstand that in very many small businesses, and some not so small, the day to day records are no more than an initial step in the preparation of accounts and the external accountant will often check and amend such records and supplement them with information from other sources when he prepares the accounts of the business. We are accordingly strongly opposed to pre-return checking to confirm that appropriate records are being kept. 'Appropriate' is a subjective concept that can realistically be interpreted only with the knowledge of what happens between the creation of the records and the approval of the accounts.

The same applies to comparing record systems with business activity and to seeking to follow up IT, CGT or CT issues where the return is still to be done. The officer has no idea how these will be reflected in the return. We believe that such checks in advance of the return or accounts will often lead to an officer drawing incorrect conclusions. Our concern in relation to all of these aspects is that the conclusions incorrectly drawn may well lead to the officer wrongly assessing the risks posed by the accounts, which would involve the taxpayer in the heavy costs of a subsequent enquiry when in reality the risks inherent in the accounts may be very low.

We accept that it would be reasonable for HMRC to have a power to inspect records pre-return where it believes that a taxpayer ought to have registered for VAT; where it believes that a person has been trading for over, say, two years and has not notified liability; and where it wants to check actions relevant to a tax avoidance scheme.

We also of course welcome HMRC publicising to new businesses, as currently happens, its willingness to provide advice. We accept that many business taxpayers do not have an agent and might welcome such advice. However we believe that for such advice to be effective it needs to be proffered as advice to someone who already accepts the need for advice. Seeking to provide advice through the use of a statutory power is likely to be counterproductive as the business is likely to resent the enforced intrusion, whereas it might well have happily co-operated on a voluntary basis. We accordingly do not think that HMRC either needs, or should seek, statutory powers to enable it to offer advice to businesses seeking such advice.

5.34 We think that the conclusions that the document seeks to draw between the elapsed time of a VAT check (where the officer generally raises an assessment fairly quickly even if the areas in dispute are contested) and that of an IT aspect enquiry (where the officer generally seeks to reach agreement before amending the return) are spurious because of the difference in approach. Indeed we think that if the IT approach were adopted for VAT then, although it might increase the elapsed time in the short term, it would reduce the volume of appeals that are later settled by agreement or are heard by the VAT Tribunals.

As we believe that the benefits HMRC perceives that it will obtain from a statutory right to visit business premises are likely to prove largely illusory we find it difficult to suggest safeguards to minimise disruption. We believe that the use of any such statutory power ought to be a last resort and officers should be told to insist on visiting business premises only where the taxpayer has refused

to make his records available at some other place, where fraud is suspected or where a visit to the premises is the only realistic way to carry out the check that the officer perceives is necessary. It is rare that the General or Special Commissioners feel it necessary to visit business premises or the taxpayer asks them to do so in preference to putting photographs in evidence. This suggests that there is little need to insist on a visit to business premises of compliant taxpayers and that if the officer explains what concerns him a taxpayer is likely to volunteer either access or 'virtual' access electronically.

That is not to say that we do not welcome some form of internal authorisation. However we doubt that many taxpayers will regard internal authorisation as constituting a satisfactory safeguard.

5.43 We are happy with the proposed safeguards other than that at 5.39–5.40. We think it essential that there should be a right of appeal to the Appeals Tribunal against a notice, as envisaged at 5.39. We are unclear why HMRC believes that an alternative procedure where tax would otherwise be at risk is necessary. If HMRC think that tax is at risk they can surely ask the Tribunal to expedite the taxpayer's appeal. We can see no call for an ex parte information power. Currently s 20(1), TMA 1970 at least requires HMRC to ask for the records informally and the taxpayer can ask HMRC to put his written representations before the Commissioner. We think that it would be quicker, as well as fairer, to have an expedited hearing where the taxpayer can put his case in person or through an agent. We would also have thought an appeal hearing to be preferable for HMRC, as it would give the tribunal the opportunity to ascertain what records actually exist, rather than make an order for those of which either HMRC are aware exist or think might exist.

5.50 In our view ex parte authorisation is incompatible with a taxpayer's human rights. We believe that such applications should be limited to cases where the taxpayer cannot be identified. We also think that if an order is being sought against a third party the taxpayer ought to have the right to attend the hearing and make representations.

We have no objection to the proposal at 5.45, although we have doubts about its necessity. Our experience has been that where a taxpayer authorises a third party to provide information to HMRC the third party is generally willing to do so without a need for recourse to section 20(3).

We are particularly concerned about the proposal at 5.48. Requests to third parties can be commercially damaging to a taxpayer. We think it unreasonable to give HMRC power to bring about such damage to a person's business without having first sought the information from the taxpayer and without the taxpayer being given the opportunity to explain to an independent Tribunal the risk of such damage.

## 8. Time limits for compliance checks

6.14 We are happy with aligning the time limits. We doubt that the current 20-year time limit for negligence was ever considered by Parliament; it was a consequence of the abolition of the concept of 'wilful default'. A four-year time limit is far more reasonable. The decision of the Court of Appeal in *Langham v*

*Veltema* has seriously undermined the intention of the discovery provisions, which were intended merely to give statutory effect to the House of Lords decision in *Scorer v Olin Energy Systems Ltd*. We feel that a one-year enquiry window and a further three years for the taxpayer to obtain finality (except in the event of fraud or failure to take reasonable care) is a reasonable approach.

6.21 We accept that there is logic in HMRC having some sort of information power in relation to discovery. However we are not aware of cases where in practice the absence of such a power has prevented discovery assessments being raised. We are opposed to granting additional powers to HMRC 'just in case' a need should arise at some future date, and do not feel that the Condoc has demonstrated a real need for such a power. We believe that such a power should in any event be limited to seeking additional information in relation to the particular item that has given rise to the risk of tax being underpaid.

6.34 We would welcome HMRC making greater use of its existing SA power to correct obvious errors (6.23). When this power was introduced HMRC envisaged that their staff processing returns would use it to telephone the agent (or taxpayer where no agent exists) to clarify apparent inconsistencies in the return. We are unclear why HMRC rarely seem to do this in practice. The initial intention was not even as restrictive as is now envisaged in 6.24.

We believe that the enquiry process could be significantly improved to the benefit of both taxpayers and HMRC if instead of seeking a large volume of information HMRC were to tell the agent what risk they are seeking to address and be prepared to discuss with the agent what information could be most readily provided to enable the officer to check the specific risk. We accordingly welcome the suggestion in 6.27 as hopefully a first step even though we feel that a dialogue with the agent would be more sensible.

We agree that it might be sensible to align the CTSA procedure with that which applies to IT. However our recollection is that the current difference was maintained in 1998 because amendments to a CT return might well cause the taxpayer to reconsider claims for group relief and capital allowances, so that an amendment by the officer rather than the company would cause extra work as the taxpayer would need to appeal against the amendment in order to make those adjustments.

We agree that the right to ask for a closure notice is an important protection for taxpayers and that this ought to be retained.

## 6 Safeguards

7.22 We believe that the most important safeguard for taxpayers is a right of appeal to the Tribunal. We are concerned about the proposals to restrict such rights. When SA was introduced the intention was to seek to strike a balance between Revenue powers and Taxpayer rights. We think that the current proposals in relation to information powers seriously undermine that balance. It also seems to us important to the public acceptability of the tax system that the taxpayer should believe he can ask an independent Tribunal to review the proposed exercise of HMRC powers where the taxpayer believes that HMRC is acting unreasonably.

## 7 Deterrents

8.10 We believe that penalties for failure to keep records should normally be suspended except where records have been deliberately destroyed.

We are concerned at the proposal at 8.9 for open-ended penalties to be fixed by the Tribunal. We think these are wrong in principle. We also think that to empower HMRC to threaten a taxpayer, in relation to all penalties, that if he insists on exercising his right to appeal to the Tribunal against the use of an information power HMRC will ask the Tribunal to impose an open-ended penalty, places far too much power in the hands of HMRC. We do not agree that this power simply corresponds to the Macrory Variable Monetary Administrative Penalty. The Macrory Review was concerned with sanctions for regulatory breaches. Accordingly the type of penalties it was looking at were those akin to fines, not penalties for non-compliance with information powers. Its concern was to find a half-way house between criminal sanctions and fixed penalties. Even in this context, Mr Macrory's reason for open-ended penalties was that he feared that an upper limit could encourage regulators, such as the FSA, to set financial penalties at too high a level (para 3.40) not to enable very high penalties to be imposed.

## Annexes

8 We do not propose at this stage to comment on the annexes. It seems to us premature to publish these in advance of any legislation. We are obviously happy to look at them in more detail in the light of whatever legislation parliament might choose to pass.

9 We ought however to flag up that we consider Annex D to be far too prescriptive and to place unreasonable burdens on taxpayers. For example we cannot see any rational reason why under 'Employment income' there should be a need for a taxpayer to retain both his payslips and his P60. The P60 is intended to give the taxpayer all of the information that he needs to complete his tax return. To require the retention of payslips in addition imposes an unjustifiable burden on the taxpayer and as far as we can see provides no benefit, or even additional assurance, for HMRC.

## DRAFT LEGISLATION

### Chapters 1–4

10 We very much welcome the concept of showing the amended legislation in Chapter 3. This greatly facilitates an understanding of the proposed legislation.

11 We are concerned at the amount that is left to be filled in by regulation. We believe that as much as possible ought to be primary legislation. We can see a role for secondary legislation in relation to complex technical areas of limited application and also in areas where the law may need to change frequently. However we do not think that record keeping falls into either of these categories, particularly as the intention is to impose generic requirements. We believe that it is far easier for a taxpayer to understand his statutory obligations if these are contained in one place.

**Chapters 5–6**

12 The paragraph numbering below refers to the paragraphs of the proposed Schedule 2.

1. We think that the limitation to items in the taxpayer's possession or power ought to apply to information as well as documents. A person cannot tell HMRC something that he does not know and should not be expected to incur time and costs in seeking to obtain knowledge that he does not possess.

3(1) We are concerned about para 3(2)(a). This appears to give HMRC power without seeking the consent of the taxpayer to go to a supplier and ask for information in relation to dealings with the taxpayer. We think this unreasonable. It risks causing commercial damage to the taxpayer and is likely to breach his right to privacy. We also think it wrong to expect a taxpayer to consult the VAT Act 1994 in order to understand his rights in relation to an income tax or corporation tax enquiry.

16. As s 40, TMA 1970 requires an assessment on personal representatives to be raised within three years of death we are unclear why a six-year period should apply to information powers. This will encourage the issue of protective assessments and prolong the administration of estates. We think that HMRC should aim to deal with enquiries on a deceased person within the three-year period so as to raise any assessment following their enquiry. Accordingly we think that a three-year period should be sufficient under para 16.

22(2) We think that this sub-paragraph should be dropped. Where there is a dispute as to whether or not something forms part of a person's statutory records he ought to be able to ask the Tribunal to resolve that dispute.

24(2) We think that there should be a requirement that the summary under para 24(2)(a) should be given to the taxpayer at least 30 days prior to the application for consent so that he has an opportunity either to provide the information voluntarily or to make representations to the Tribunal as to why he believes that HMRC is acting unreasonably.

28(5) While we can see the reason for para 28(5)(b) we are concerned that it removes any incentive for the officer to reach an agreement under para 28(5)(a).

28(6) What is 'a place that is used solely as a dwelling'? If a person has a study at home which he uses for business is, say, his lounge, which he never uses for business, a place used solely as a dwelling? The wording does not seem apt to exclude it as a 'dwelling' is not a word that is apt to include a single room or even the major part of a house.

29(3) A taxpayer ought to be entitled to more than one day's notice of a proposed visit to his premises.

29(4) We are concerned about para 29(4)(c). What is the point of informing someone of his obligations and the consequences of his staff obstructing the officer, if he is not present at the premises, by leaving a note which he will not be able to read until it is too late to react to it? If (a) or (b) does not apply and the officer has not visited with the agreement of the taxpayer, he ought to delay his inspection until a responsible person is available. If HMRC give only one day's notice there are likely to be very many occasions where the responsible person is not even aware of the proposed visit.

ICAEW Tax Faculty
11 March 2008

## ANNEX A

## THE ICAEW AND THE TAX FACULTY: WHO WE ARE

1. The Institute of Chartered Accountants in England and Wales (ICAEW) is the largest accountancy body in Europe, with more than 128,000 members. Three thousand new members qualify each year. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves Chartered Accountants and to use the designatory letters ACA or FCA.

2. The Institute operates under a Royal Charter, working in the public interest. It is regulated by the Department for Business, Enterprise and Regulatory Reform through the Financial Reporting Council. Its primary objectives are to educate and train Chartered Accountants, to maintain high standards for professional conduct among members, to provide services to its members and students, and to advance the theory and practice of accountancy, including taxation.

3. The Tax Faculty is the focus for tax within the Institute. It is responsible for tax representations on behalf of the Institute as a whole and it also provides various tax services including the monthly newsletter TAXline to more than 11,000 members of the ICAEW who pay an additional subscription.

4. To find our more about the Tax Faculty and ICAEW including how to become a member, please call us on +44 (0)20 7920 8646 or email us at taxfac@icaew.com or write to us at Chartered Accountants' Hall, PO Box 433, Moorgate Place, London EC2P 2BJ.

## ANNEX B

## THE TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

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

2. 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.

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

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

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

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

7. 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.

8. 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.

9. 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.

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

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see http://www.icaew.com/index.cfm?route=128518).