

TAXREP 25/01

PROPOSED REVISION OF CODE OF PRACTICE 11 ENQUIRIES INTO TAX RETURNS BY LOCAL TAX OFFICES.

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*Text of a memorandum submitted in August 2001 to the Inland Revenue in
response to a Draft issued in August 2001*

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PROPOSED REVISION OF CODE OF PRACTICE 11 ENQUIRIES INTO TAX RETURNS BY LOCAL TAX OFFICES.

Comments submitted to the Inland Revenue in August 2001 on the draft of revised leaflet COP11.

Introduction

- 1 Set out below are the comments of the Tax Faculty of the Institute of Chartered Accountants in England and Wales on the proposed revision of COP11, Enquiries into Tax Returns by local tax offices.

General comments

- 2 There is a difference in opinion between Inland Revenue staff and accountants as to how helpful the code of practice on enquiries is to the taxpayer. It is very long and unlikely even to be read by most members of the public. A simple leaflet referring to the essence and availability of the full code would suffice to accompany the opening letter in the most straightforward cases. The accompanying letter should also refer to the code.
- 3 Most of the changes appear to be cosmetic. Whilst the revised draft COP11 is user friendly, there remains a number of minor grammatical errors which we assume have yet to be checked. As the draft does not have paragraph numbers, we have referenced our comments to line numbers within the text, referring to headings where possible.
- 4 Usually, the taxpayer receiving an opening enquiry letter will not know whether the enquiry is a full enquiry or an aspect enquiry, nor indeed if they have simply been chosen at random. There would be less uncertainty and suspicion if this could be made clear at the outset. Whilst this point is not directly relevant to the revision of this leaflet, it continues to be of concern to many taxpayers and practitioners who often find themselves guessing what may be wrong.

Specific comments

Line 13- 3rd paragraph of introduction

- 5 We assume that
'We want you to pay the right amount of tax: no more, no less. We will do everything we reasonably can to make sure this happens'
is in bold to convince taxpayers that inspectors actually believe it. This emphasis is otherwise unnecessary.

Line 31 - Amendments

- 6 The guidance states that
'You may amend your return, as long as we receive your amendment within 12 months of the filing date'
Although this later refers to 31 January, as it stands, the phrase could be misleading. We suggest that this be amended by inserting *fixed* before *filing date*.

Line 63 - What we do when we receive your return

- 7 Inserting the word '*normally*', as indicated, into the following bullet point, would make the statement more accurate.
*'If we make enquiries into a return under Self Assessment it does not **normally** imply that we think it is incorrect, so when we ask questions or seek information we will not give reasons for making the enquiries.'*

Line 79 – Starting enquiries

- 8 The time available for starting enquiry proceedings is always longer than twelve months if a return is submitted early. The use of the phrase '*We may have longer if you send in your return late*' is therefore misleading. If the twelve month enquiry window was changed to begin on the date that the return was submitted, this could also encourage earlier submission.

Line 92 – Professional representation

- 9 A useful additional bullet point could state that
'Where we have details of your professional adviser, he or she should also have been informed that we have started an enquiry. It nevertheless remains your responsibility to ensure that your adviser has been notified.'

Line 206 - Meetings

- 10 The insertion of the paragraph regarding the effect refusal to attend a meeting may have on penalties is sensible but it does sound a little threatening.

Line 399 - Your rights under Our Service Commitment to you

- 11 The 15 working day response time in the service commitment is laudable but we wonder if this is realistic. Furthermore, a substantive reply slightly later is usually more helpful than a holding reply within this time.

Line 440 - Confidentiality

- 12 It would be helpful if the COP spelled out precisely who the 'people you have not authorised' could be.

AM

August 2001