

## TAXREP 5/05

### HMRC MISSION STATEMENT

*Memorandum submitted in February 2005 by the Tax Faculty of the Institute of Chartered Accountants in England and Wales in response to an invitation to comment issued in January 2005 by Customs and the Revenue*

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## HMRC MISSION STATEMENT

### INTRODUCTION

1. We welcome the opportunity to comment on the draft mission statement (reproduced in Annex A) on which we were invited to comment on 7 January.

### KEY POINT SUMMARY

2. A mission statement can provide a useful focus for customer-orientated organisations, but we are concerned that if the draft on which comments were invited were adopted it would serve only to engender cynicism and therefore not be taken seriously because it is incomprehensible. We think that mission statements can work when:
  - They are short and to the point,
  - they contain realistic and achievable objectives,
  - they are written in plain English,
  - they reflect properly the aims and aspirations of the organisation,
  - all people within the organisation, ie not only the staff but also members of the governing body and similar stakeholders, are expected to buy into the statement – and do,
  - there are appropriate controls and sanctions in place to ensure that the statement is adhered to in practice,
  - staff are accountable for their actions and management is held to account when things go wrong, and
  - those who the organisation has to deal with, ie ‘customers’, which includes in this case taxpayers, employers, tax credit claimants, agents and representative bodies, are able to use the document as a means of seeking redress when things go wrong.
3. We suggest the following as a Mission Statement, which we believe in conjunction with proper accountability and sanctions when things go wrong and appropriate service undertakings, will assist HMRC in fulfilling these criteria:

#### *Suggested HMRC Mission Statement*

*Our mission is to collect from the right people and pay to the right people the right amount of tax and the right amount of tax credits due under the law at the right time by applying the law fairly and professionally and to help people to comply as easily as possible.*

4. We set out later in this memorandum our suggestions as to points to include in any related service undertaking.
5. We suggest also that as tax is now spread over several government departments, consideration should be given to having an overarching mission statement to cover all aspects of tax, ie policy, management, prosecutions, etc., with the individual Departments having supplementary mission statements and service undertakings.

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## WHO WE ARE

6. 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.
7. The Institute operates under a Royal Charter, working in the public interest. It is regulated by the Department of Trade and Industry through the Accountancy Foundation. 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.
8. 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.

## COMMENTS

### Criteria for a successful mission statement

9. We believe that although mission statements have their detractors, they can provide a focus and be useful for customer-facing organisations, particularly where the business concerned is what many consider anonymous, monolithic and, to some, frightening. Mission statements can work when:
  - they are short and to the point,
  - they contain realistic and achievable objectives,
  - they are written in plain English,
  - they reflect properly the aims and aspirations of the organisation,
  - all people within the organisation, ie not only the staff but also members of the governing body and similar stakeholders, are expected to buy into the statement – and do,
  - there are appropriate controls and sanctions in place to ensure that the statement is adhered to in practice,
  - staff are accountable for their actions and management is held to account when things go wrong, and
  - those who the organisation has to deal with, ie 'customers', which includes in this case taxpayers, employers, tax credit claimants, agents and representative bodies, are able to use the document as a means of seeking redress when things go wrong.
10. All too often, mission statements are too wordy and general in nature and there are no sanctions when they are not followed. Where this is the case, they are usually forgotten and not referred to as the source of inspiration and motivation which can help move an organisation forward.

### A suggested revised mission statement

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11. Annex B contains detailed comments on the wording of the mission statement that we were invited to comment on. In the light of these we question whether the mission statement as drafted can achieve its presumed objectives. We do however understand that the mission statement on which we were invited to comment is very much an early draft.
12. As drafted the mission statement is necessarily generalist, but more importantly it is a meaningless document given that much of it is ambiguous. For example, 'developing' or 'responsible' can have any number of meanings. It also contains 'management-speak'. For example, what does 'engagement' mean in the last sentence? We question whether 'diversity' is a value. The use of jargon will deter people from taking it seriously and engender cynicism.
13. HMRC is not a plc but a public service organisation charged with, according to the HMRC Bill, the collection and management of taxes, social security contributions and duties and payment and management of tax credits. It also carries out certain duties in relation to national minimum wage. This should be the starting point for any mission statement.
14. We suggest that there should be a short mission statement for HMRC as a whole which encapsulates the overall aims and objectives of the organisation. Good examples include the Walmart one which is 'To give ordinary folk the chance to buy the same thing as rich people' and that of the United States Internal Revenue Service whose mission statement is to 'Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all'.
15. We set out below our suggestion for an HMRC Mission Statement. This would be able to be understood not only by those within government and the tax authorities but also people that HMRC has to deal with, which would increase the chance of its being followed in practice. Given the transfer of major policy responsibilities to the Treasury, our suggested statement necessarily concentrates on operational delivery rather than improving policy, but that is not to say that the formulation of policy, undertaking of prosecutions and other tax-related areas are not equally deserving of their own mission statements:

## *Suggested HMRC Mission Statement*

*Our mission is to collect from the right people and pay to the right people the right amount of tax and the right amount of tax credits due under the law at the right time by applying the law fairly and professionally and to help people to comply as easily as possible.*

## **Supplementary service undertakings**

16. Such a short statement would then need to be supplemented by a more detailed statement which sets out the modus operandi of the Department, on the lines of the Revenue and Customs current statement, 'Our service commitment to you' (on the web at <http://www.inlandrevenue.gov.uk/about/sc.htm> and reproduced in Annex C) and the Taxpayers Charter which it replaced, which would incorporate expressions of intent covering (in no particular order) professionalism, fairness, confidentiality, presumption of customer honesty, technical excellence, being accountable, efficiency, costs of compliance

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for those who deal with HMRC, courtesy, helping customers to understand their obligations and responsibilities and making it easy for them to comply (for example by having websites and e-filing systems that work all the time, are up to date and are easy to use) and to get things right as well as strategies to move towards a better tax system, which covers improving the way policy is made and implemented and the tax system is administered and what people that HMRC deal with can do when things go wrong.

17. We also consider that any such statement should be drafted in the light of our ten tenets for a better tax system, first published in October 1999 in our discussion document TAXGUIDE 4/99 and listed in Annex D. There are also points in the Revenue's Core Purpose and Core Traits and Customs' Aims and Purposes (reproduced in Annex E) that could usefully be incorporated in any new service commitment.
18. We suggest that the following should be included in such a service commitment (the list is not exhaustive), which perhaps would also include HMRC's values:

*We will:*

- *Help people who deal with us get their tax/tax credit affairs right and pay/receive on time only what is due under the law*
- *Treat the affairs of people who deal with us in strict confidence and use information that we receive only as allowed by the law*
- *Keep compliance costs of people who deal with us to a minimum*
- *Presume that people who deal with us are honest unless we have good reason to think otherwise*
- *Help people who deal with us put things right and in seeking redress if something goes wrong*

*To do this we will:*

- *Be fair, impartial, understanding and reasonable*
- *Know the law and apply it proportionately*
- *Communicate effectively, timeously and in a consistent manner what the law means and how it is to be applied so that everyone understands their rights and responsibilities*
- *Work towards creating a better tax system*
- *Provide a good quality and prompt service whether human or electronic*
- *Be courteous and professional*
- *Respond fully to feedback*
- *Ensure that we have the full facts before drawing conclusions*
- *Provide the necessary training and support to all our staff*
- *Set standards, take responsibility for our actions and be accountable*

*Our values are professionalism, reasonableness and integrity.*

## **A holistic approach**

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19. Whilst we appreciate that HMRC cannot control matters dealt with by other government Departments, we recommend that in the light of the hiving off to other Departments of certain duties formerly the responsibility of the Revenue and Customs, for example tax policy and prosecutions, those Departments should consider having mission statements for the tax areas within their care and management. This would mean that that all aspects of tax, from policy to management to prosecutions et al, are covered. Indeed, given that the ease with which a tax system can be administered depends on how simple the underlying rules are, consideration should be given to having the highest-level mission statement covering the tax and NIC system not on a Departmental basis but on a government-wide basis, with subsidiary mission statements for the separate arms of government charged with the care and management of different aspects.

## Context

20. We would welcome clarification of what the mission statement will be replacing and where it will fit in to the existing hierarchy of customer service statements which include the Revenue and Customs service commitment, the Revenue's 'Core Purpose and Core Traits' and Customs' 'Aims, Purposes and Values' referred to above.
21. So far as concerns the Revenue, the second Taxpayer's Charter was replaced in 1999 with what was described at the time as a new mission statement which we presume is the Revenue and Customs statement 'Our service commitment to you' referred to above. We also understand that there are drafts of customer service undertakings in connection with tax credits. We would welcome clarification of how the intended mission statement is intended to interact with all of these, or whether they are going to be revised. There are elements in many of these documents that we would like to see retained in any updated mission statement or service commitment.

## What happens if things go wrong?

22. We would welcome clarification of what will happen if HMRC staff do not comply with the mission statement. Will anything happen to those who do not? Will management be brought to account? Who will be in charge of overall monitoring?
23. Cases such as *CCE v Darren Lee Dickinson* [2003] EWHC 2358 (Ch) (see <http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWHC/Ch/2003/2358.html&query=Darren+Lee+Dickinson+&method=all>) and *Carvill v Frost* (IR) SPC 0047 (2004) (see <http://www.bailii.org/cgi-bin/markup.cgi?doc=/uk/cases/UKSC/2004/SPC00447.html&query=carvill+frost&method=all>), which show that some Customs and Revenue officers believe that they are a law unto themselves, demonstrate the need for mission statements to have real teeth if they are to be of value.

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### **DRAFT HM REVENUE AND CUSTOMS MISSION STATEMENT ON WHICH COMMENTS INVITED**

Our mission is to provide a high quality and efficient service that ensures everyone understands and complies with tax, trade and border law, and understands and receives their entitlements so that we all contribute to the economic and social well-being of the United Kingdom.

We will do this through

- understanding our customers and responding to their feedback;
- developing our workforce;
- effective two –way communication;
- delivering and sustaining high levels of compliance;
- responsible enforcement;
- excellence in delivery of our services; and
- at a collection and compliance cost which enhances international competitiveness.

**Our values** are Professionalism, integrity, diversity, and engagement.



### DETAILED COMMENTS ON THE WORDING

(Extracts from the proposed mission statement are in *blue italics*)

*Our mission is to provide a high quality and efficient service that ensures everyone understands and complies with tax, trade and border law, and understands and receives their entitlements so that we all contribute to the economic and social well-being of the United Kingdom.*

1. We question whether it is reasonable to expect taxpayers to understand tax law. In a perfect world, they might be expected to understand the law as it applies to their own circumstances. As the law stands, no-one can understand fully any of the taxes in their current complex state, and there seems no prospect of the law getting any simpler. To meet that objective requires a concerted effort to simplify the law itself. The real culprit is not the ‘legalese’ in which the law is written, to which enormous improvements are being made by the tax law rewrite project, but the policy behind the legislation. The excuse that it is the existence of avoidance that makes the law complex is simply not true. It is because the government and therefore the tax authorities appear more concerned with headline tax rates than with real tax costs and the fact that the government is trying to hold rates while collecting additional revenues through, for example, blocked input VAT.
2. What is the difference between ‘everyone’ in the first part of the mission statement and ‘our customers’ in the detailed methodology?
3. We would welcome clarification of what is meant by ‘tax, trade and border law’.
4. What do the words ‘so that we all contribute to the economic and social well-being of the United Kingdom’ mean? We do not consider that tax brings any real social benefits. It raises money. Despite the attempts of successive governments to use tax as a means of influencing citizens’ behaviour, it is neither an effective nor predictable engine of social change.
5. In addition, some would argue that tobacco companies, arms manufacturers, pharmaceutical companies who experiment on animals, etc. do not contribute to the social well-being of the UK. Other people would equally strongly disagree. Additionally, if an overseas company is trading with the UK, are it contributing to the economic well-being of the UK or are jobs being taken abroad? The tax authorities should be neutral on such aspects and just uphold the law without moral judgements. We suggest that public authorities should not use phrases such as ‘so that we all contribute to the economic and social well-being of the United Kingdom’ unless they are used in context.
6. Should not the word ‘fairly’ be added after ‘contribute’?
7. As to style, the first paragraph is just one sentence, which is far too long and complicated. It is standard good writing practice to avoid this sort of construction.



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*We will do this through*

- *understanding our customers and responding to their feedback;*

8. There is a large body of opinion which questions whether the tax authorities are capable of achieving this first point. Taking representative bodies such as ourselves to be included within the term 'customers', first the tax authorities do not always give enough time to provide comment and then when they get it they are apt to ignore it on the basis that everyone is avoiding tax and that the comments are therefore tainted. Responses to feedback that ignore the points made are of little value.
9. Just responding to feedback is also rather passive and reactive. HMRC need to take the initiative in informing and helping 'customers'. We suggest that there should be something more concrete here about helping customers to understand their rights and responsibilities, to ensure that they can comply with their obligations under the tax and tax credits systems and pay and receive what they are obliged and entitled to.

- *developing our workforce;*

10. Does 'developing' mean training the workforce or increasing their numbers?

- *effective two-way communication;*

11. Between whom and whom is the 'two way communication'? There are numerous possible parties: taxpayers, agents, representative bodies, the tax authorities, politicians. Over the years the Revenue's response to representations on anomalies have often been that they are matters for ministers.
12. We question whether communication is helped by articles such as that in Tax Journal on 23 August 2004 which can be read as accusing tax advisers of condoning tax evasion and which militates against inclusive and co-operative behaviour.

- *delivering and sustaining high levels of compliance;*

13. The statement should undertake that customers, ie taxpayers, registered traders, tax credit claimants, etc. will be assumed to be and to have acted honestly until there is good evidence to the contrary.
14. We note that there is no mention of assisting business and helping drive enterprise forward.
15. Also on the basis of the wording the emphasis appears to be on compliance by taxpayers but there is no mention of the need for:
  - (a) compliance by the authorities, for example with European law and treaty provisions, which seems remiss given that we are in an environment of questionable interpretations by the UK authorities, and
  - (b) good housekeeping by the tax authorities, which seems remiss in the light of, for example, the £1 billion estimated to have been overpaid in tax credits.
16. We question how HMRC can 'deliver' compliance. It should mean making it simple for taxpayers and advisers to comply, by, for example:

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- in the context of the government's e-agenda providing e-filing systems and websites that are always available, work, are up to date and simple to use,
- having interface with agents that does not necessitate agents having to forward duplicate forms 64-8 because the original is not to hand or submit additional mandate forms such as FBI2 if intending to file electronically,
- issuing guidance that is understandable, accurate and timely.

Or does it mean ensuring compliance by customers?

- *responsible enforcement;*

17. What is 'responsible enforcement'? Responsible to whom, for what? What is the alternative: irresponsible enforcement? Does it mean fair, lawful, consistent, compassionate?
18. We consider that 'responsible enforcement' should include the presumption of taxpayer honesty. The original Taxpayer's Charter contained an assurance that 'You will be presumed to have dealt with your tax affairs honestly, unless there is reason to believe otherwise'. The 1991 version said '...we need you to be honest'. Following representations, Mr Francis Maude in the House of Commons gave an assurance that 'Taxpayers will be presumed to have dealt with their affairs honestly unless there is reason to believe otherwise. The omission of a statement to that effect in the 1991 Taxpayers Charter does not constitute a change in policy in this regard.'. Assuming that this policy remains current, we suggest that a reissued mission statement should reaffirm it.

- *excellence in delivery of our services; and*

19. Who is the judge of 'excellence in delivery of our services' and how are they to be judged? Where is the measurability? Where and what are the achievable targets?
20. To whom are services provided? There are regular complaints in Parliament that the tax authorities are, for example, failing to collect tax or are paying out too much tax credits.
21. Customers should be able to be confident that taxpayer confidentiality and article 8 of the Convention of Human Rights will be respected.

- *at a collection and compliance cost which enhances international competitiveness.*

22. This point on costs of compliance may be based on a false premise and may need to be modified. The charge out rates assumed in Government compliance cost assessments, for example sometimes as low as £20 per hour, are unrealistic. How are the international comparisons to be made? Indeed, we question why the 'collection and compliance cost' is seen as enhancing only international competitiveness when the need is to drive down such costs in absolute terms. The statement should say that the department will have regard to taxpayers' and tax credit claimants' compliance costs, and particularly the costs of small businesses.

*Our values are Professionalism, integrity, diversity, and engagement.*

23. 'Diversity' and 'engagement' without explanation have no meaning.

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24. Values will only work in practice if there is goodwill towards customers not only within the tax administration but also at policy level. We question whether there is sufficient goodwill in practice.
25. What is needed is professionalism at all times, accuracy of response, technical excellence and a determination to work with taxpayers and tax credit claimants to help them meet their compliance obligations with fairness and understanding.

## REVENUE AND CUSTOMS: OUR SERVICE COMMITMENT TO YOU

**The Inland Revenue and Customs & Excise are committed to serving your needs well by –  
acting fairly and impartially**

We

- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

**communicating effectively with you**

We aim to provide

- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

**providing good quality service**

We aim to

- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

**taking responsibility for our service**

- We publish annually our customer service aims and achievements
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

**We can provide better service if you help us by**

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

### 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.co.uk/taxfac/index.cfm?AUB=TB2I\\_43160,MNXI\\_43160](http://www.icaew.co.uk/taxfac/index.cfm?AUB=TB2I_43160,MNXI_43160).

### REVENUE AND CUSTOMS PURPOSE, TRAITS AND AIMS

#### Revenue's Core Purpose and Core Traits

##### *Core Purpose*

The Inland Revenue is here to ensure that everyone understands and receives what they are entitled to and understands and pays what they owe, so that everyone contributes to the UK needs'.

##### *Core Traits*

- Clear
- Human
- Objective
- Knowledgeable
- Efficient
- Reasonable.

#### Customs' Aims and Purposes

##### *Aim*

To provide a world class tax and customs service in accordance with Government objectives'.

##### *Purposes*

- Collecting UK revenue
- Detecting and deterring smuggling and fraud
- Facilitating international trade
- Supporting trade statistics
- Promoting good practice in customs and fiscal matters around the world
- Providing policy advice.