

Tax Representation



TAXREP 61/08

RECEIPTS FOR PAYMENTS OF IHT

Text of letter sent on 1 September 2008 by the Tax Faculty of the Institute of Chartered Accountants in England and Wales in response to an invitation to comment received on 28 July from HMRC

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RECEIPTS FOR PAYMENTS OF IHT

Text of letter sent on 1 September 2008 by the Tax Faculty of the Institute of Chartered Accountants in England and Wales in response to an invitation to comment on 28 July from HMRC

FOREWORD

This memorandum reproduces the text of a letter sent on 1 September 2008 to HMRC in response to an invitation received on 18 July 2008 at a meeting to discuss closer working between agents/intermediaries and HMRC.

Details about the Institute of Chartered Accountants in England and Wales and the Tax Faculty are set out in Annex A. Our Ten Tenets for a Better Tax System which we use as a benchmark are summarised in Annex B.

PCB
1.9.08

RECEIPTS FOR PAYMENTS OF IHT

TEXT OF LETTER

I am writing in response to the invitation at the meeting on 18 July ... to advise HMRC whether and if so what problems might arise from HMRC ceasing to issue receipts when payment of IHT is moved to Accounts Office Shipley.

I am afraid that we see considerable problems and hope you will not proceed with this proposal. While we can see the benefits for HMRC if payments are made by electronic transfer, these are in our view more than outweighed by the disadvantages and extra cost for taxpayers. First, if HMRC ceases to issue receipts, how will people know that the money has reached HMRC as intended when it has been sent by cheque? Obtaining verification will cause extra work for taxpayers and agents/executors/administrators. Will photocopies of bank statements showing the cheque having been cashed in conjunction with photocopy of cheque stub be acceptable as proof of payment? Will people be able to obtain confirmation quickly by telephone from HMRC Accounts Office Shipley that payment has been received?

If the answer to both is 'no' (and for the Construction Industry Scheme payments the withdrawing of the facility to phone the Accounts Office and find out what has been paid is causing great difficulties for advisers), then what will comprise evidence acceptable not only to HMRC but to beneficiaries of trusts and estates?

Also at present, where personal representatives encounter a problem, for example, grant of probate is delayed, then armed with an HMRC receipt they can chase up the responsible parties.

Our own clients' money rules, and we understand similarly solicitors' clients' money rules, require every payment to be able to be verified, preferably with third party evidence, so we anticipate non-issue of receipts being a real problem when satisfying audit requirements.

We are also concerned lest moving responsibility within HMRC for processing payments away from the office that carries out the checking may delay the issue of form D18, which is of course the trigger for grant of probate on deceaseds' estates.

We trust that you will think again before ceasing to issue receipts.

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 10,000 members of the ICAEW who pay an additional subscription.
4. To find out more about the Tax Faculty and ICAEW including how to become a member, please call us on 020 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.

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/index.cfm?route=128518>.