CIOT Vice President's page, September 2015

Welcomes

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Restoring confidence?

Hello to all readers of *Tax Adviser*. Having read the wise words of so many officers of the Institute and the Association over many years, it is quite intimidating to realise I have now to try to emulate them for the first time! So, perhaps I can just set out my thoughts on a couple of issues that I regard as key to the operation of the tax system in the UK and hope I am not crossed off the invitation list.

The avoidance debate

Much has been written about the difference between avoidance and aggressive tax planning, including whether it matters.

Doubtless everyone will have their own views but I suspect there are two things on which most would agree. The first is that what is ‘acceptable’ is different today from what it was ten or even five years ago. The second is that no one should be criticised for using the tax system in exactly the way the legislators intended.

As has often been said, if politicians don’t like the way the tax system works they should change it. It was therefore encouraging to hear the Chancellor in his Summer Budget specifically add ‘imbalances in the tax system’ to ‘evasion, avoidance and planning’ as an issue that needed to be addressed.

Whatever tax advisers may think about the impact of individual tax changes, government clearly has the right to make them. However, it has to accept that means it is responsible for aspects of the tax system that it no longer likes and not deliberately try to confuse those features with avoidance. That debate is confusing

enough already.

Review of HMRC?

Many people have called for a formal review of HMRC. On balance I feel this probably is now due, but only if it is not allowed to become a witch-hunt and, crucially, if the subject of resourcing (or lack of it) is included in the review's scope.

The tax system depends on taxpayers having complete confidence in the tax authority, and I fear that is no longer the case. I hesitate slightly because I'd want HMRC genuinely to accept this was in everyone's interests (including theirs) and to buy into it wholeheartedly. Of course there are areas HMRC need to improve, including where their service levels are way below what is acceptable. Similarly, there are indications that they are sometimes deliberately not engaging as widely as in the past because they don't like what they are being told. That does not mean it isn't incumbent on the rest of us to understand that certain changes – such as increasing computerisation (read '*Transforming service*' by HMRC's Change Director Elaine Benn) – are going to happen whether we like it or not, so there is no point in fighting them, but rather we should do everything possible to ensure the changes are made sensibly and in realistic timeframes. Certainly that continues to be our Institute's approach.

In addition, HMRC were criticised so often by the PAC, in effect, for engaging with advisers that it is hard to blame them for caution; but a constructive relationship with the profession and taxpayers is crucial. Nonetheless, I believe HMRC are trying to do their best at a time of great change and with insufficient resources. Giving HMRC extra resources to deal with avoidance is understandable in the current climate, but this doesn't address the lack of resources in other areas. If an independent review was conducted in a positive manner and addressed all of these issues it would go a long way to restore confidence in HMRC. By contrast, a 'hostile' review, or one that excluded resourcing from its scope on the basis that the government would never allow any increase, would be profoundly counter-productive.

I hope that the above has struck a chord with at least some readers and not too many are on the website cancelling their subscription! We'll see if I get invited back! It has certainly been a privilege and my best wishes to all.