Treasury Committee inquiry ‘Tax after coronavirus’: CIOT and ATT evidence

General Features

29 October 2020

On 17 July, the House of Commons Treasury Committee (ably assisted by the CIOT) launched its inquiry ‘Tax after coronavirus’. The CIOT has provided written and oral evidence to this wide-ranging inquiry. The ATT has provided written evidence.

The CIOT’s evidence to the inquiry has, so far, involved two written responses (a general response and one focusing on devolution) and participation in two oral evidence sessions (a general session and a VAT-focused one).

The inquiry is wide ranging and therefore our evidence was comprehensive. In very brief terms, the key themes of our evidence are set out below:

- We addressed the need to deal with some structural problems with the tax system, such as the ‘three person problem’ (that is the difference in taxation between a person working as an employee, being self-employed or working through their own company, each essentially doing the same work).
- We addressed the need to tackle complexity in the system, both around the technicalities of tax (such as the often seemingly illogical borderlines and differences in VAT treatments), as well as the requirements of compliance.
- These issues should be confronted ‘head on’, through open and widespread consultation. Too often, surprise Budget Day announcements tinker around the edges, and are presented in the best possible light, without getting to the nub of the problem. We believe that a greater awareness of the issues, and the need to make changes, will better enable the government to make difficult decisions – not necessarily in confidence that they will be welcomed, but in confidence that they will be understood.

- Not only is tax law complex, but in recent years there have been problems with the obvious things that might mitigate this problem and therefore need addressing. Official guidance has deteriorated (in part because it has not kept pace with the rate of new legislation, and in part because of the house style of GOV.UK). Telephoning HMRC for help can be difficult and time-consuming and online systems are not always easy to use. In addition, the functionality provided to agents has not kept pace with much of this.
- A more systematic post-implementation review of tax reliefs should be undertaken. There is a lack of reliable, accurate evidence surrounding the take up and cost of reliefs. Tinkering constantly with rates and allowances undermines the principles of stability and certainty that taxpayers need. We were subsequently pleased to see the government has accepted many of the recommendations from the Public Accounts Committee's inquiry into the management of tax reliefs.

The CIOT said much more than what is summarised above, and our written evidence, along with transcripts of the oral evidence given in the sessions of 15 September and 7 October, can be found on the Committee's website at: tinyurl.com/y3fqdm6r.

ATT's written evidence highlighted issues in three main areas.

Employment status

ATT noted the importance of establishing clarity on employment status and the need for wide public debate on how employment and self-employment should be treated for both tax and employment law purposes. The absence of any government response to the joint HMT/HMRC/BEIS consultation of 2018 on employment status was disappointing in that context.

Referring to employer's NIC as the elephant in the room and noting the distortion in the labour market which resulted from differences in NIC rates, ATT called for a broader debate on whether the significant differences between employees and self-employed individuals remain appropriate.

Digital services

ATT noted two main obstacles to the effective administration and operation of the tax system: a patchwork quilt of a 50 year old legislative framework; and a

patchwork of legacy computer systems and newer services.

The legislation needed a complete overhaul to make it fit for a modern digital system and there needed to be a roadmap towards creating a unified digital system. Both were necessarily long-term projects.

ATT drew attention to the stalling of further development of the Personal Tax Account (PTA) and Business Tax Account (BTA); the subsequent development of new services (such as the UK Property Reporting Service) which did not link to either; and the failure to build agent access into new systems.

ATT commented that the PTA's potential to simplify interaction with the tax system was nowhere near to being fully exploited and that there was a risk that its reputation could be significantly damaged.

On a brighter note, ATT welcomed the commitment in the HMRC/HMT Report of 21 July, 'Building a trusted, modern tax administration system', to the provision of a more personalised service for taxpayers through their PTA, and an improvement in parallel services to enable agents to see and do what their clients can by designing in agent access from the outset.

Compliance

ATT's evidence reflected generally on attitudes to compliance. Noting the relationship with adequate resourcing of HMRC, ATT concluded that HMRC 'need to wear a virtual hi-vis jacket'.

ATT's written evidence can be found as item TAC0047 on the Committee website and also at: tinyurl.com/y6rhj7yr.