Better Budgets: five years on

Briefings

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In January 2017, CIOT, the Institute for Government and the Institute for Fiscal Studies published our joint report: ‘Better Budgets: Making Tax Policy Better’.

The three institutes had worked on the report for nine months, interviewing around 50 stakeholders from across the tax system, issuing two separate calls for evidence and holding three roundtable meetings in London and Edinburgh with tax and policy specialists.

The central conclusion was that to reduce taxpayer confusion, cut down costly errors and avoid embarrassing U-turns, the government must change the way it makes tax and budget decisions.

The institutes argued that the volume of tax changes made it difficult for government to consult effectively, early and widely enough, and suggested holding just one principal fiscal event per year to get off the treadmill of constant change and reduce the strain on the government’s tax policy resources (as well as those of bodies seeking to respond, such as CIOT).

This was issued as an interim recommendation, following the appointment of a new chancellor, Philip Hammond, and was taken up by him in his first Budget (with a nod to the call for it in Better Budgets in the explanatory notes). It has mostly been kept to over the last five years. Since Better Budgets came out, the average length of Finance Act legislation per year has more than halved – from more than 600 to fewer than 300 pages a year.

There has been progress on some of Better Budgets’ other recommendations too. The report stressed the importance of ensuring that consultations happen at an earlier stage of policy development, before key decisions have been made. In December 2017, the government committed to do this, and it is happening to an extent, with an increase in the number of calls for evidence, though there are still far too many occasions when this does not happen.

There have been mixed results on enhancing Parliament's ability to scrutinise tax proposals. Bi-annual meetings between representatives from the three institutes and the Treasury/HMRC have contributed to improvements in the quality of some documentation – and the return of the Tax Consultation Tracker – but as yet there are no Finance Bill oral evidence sessions or increased expert support for Parliament on tax.

Better Budgets also said that more work was needed 'to develop deeper tax expertise in the Treasury'. This received a positive reception and HMT has since started offering full sponsorship for its staff to gain CTA and ATT qualifications.

Other areas have not seen so much progress – the setting out of clear guiding principles and priorities for tax policy, and routine post-implementation review of tax measures to see they are meeting objectives, for example. CIOT and the other institutes continue to make the case for these and other Better Budgets recommendations whenever the chance arises.

Read the report at: www.instituteforgovernment.org.uk/our-work/policy-making/better-tax-policy