Shifting sands of the UK tax policy and the tax base

General Features

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CIOT responds to the Treasury Committee's inquiry

The CIOT has responded to the Treasury Committee's inquiry into the 'shifting sands of UK tax policy and the tax base'.

The wide-ranging inquiry covers:

- The making of tax policy
- The problem of the shrinking tax base
- Radical solutions to the problem of the shrinking tax base
- Other mitigations of the problem of the shrinking tax base (addressing tax avoidance and non-compliance)
- The administration of tax

Oral evidence to the inquiry had been given by John Cullinane, tax policy director of the CIOT, on 2 February 2016, and the institute's written submission builds on that oral evidence. The key points made in our written submission included:

- The government should consult fully before making significant changes to the tax system. The CIOT is concerned that, increasingly, measures are being introduced with little or inadequate consultation, resulting in ill-thought-out legislation and uncertainty for taxpayers.
- We welcome the use of road maps to communicate the government's short-, medium- and long-term intentions on taxes. However, too many immediate changes go unannounced, such as the recent changes to stamp duty land tax (SDLT) for non-residential property. Although road maps may not be feasible for all areas, we believe there are other parts of the tax system, for example environmental taxes, where a medium-term indication of government policy

would help.

- The international corporate tax system is being made fit for purpose by the OECD/G20 BEPS project actions. We would recommend that these actions are given time for implementation, bedding in, and evaluation before further significant changes are made.
- The challenge to the professional bodies made at the March 2015 Budget has been accepted by those organisations and proposals are being developed, in discussion with HMRC, to amend the Professional Conduct in Relation to Taxation (PCRT) rules to codify the behaviours expected of responsible tax advisers and agents.
- Although we consider the merger of the Inland Revenue and HM Customs & Excise to have been desirable and broadly successful, we remain concerned that the merged department has to administer an increasingly complex tax system with continually reducing resources. This has a direct impact on the level of ‘customer’ service it provides, and puts more pressure on agents and taxpayers themselves to do what might properly be considered to be HMRC’s job in the first place.
- We are broadly supportive of the government’s plans to bring tax into the 21st century through Making Tax Digital. However, some aspects, such as compulsory digital record keeping for businesses and landlords, will require a radical and substantial change in the behaviour of many taxpayers and businesses. Yet the key parts of Making Tax Digital and the timescales were announced before any meaningful consultation was undertaken. We are concerned that implementation of Making Tax Digital will be rushed, when in reality it will be both challenging and costly for individual taxpayers and businesses to comply with, and is likely to require many corrections post-implementation. We questioned whether the hoped-for benefits of reducing the tax gap by ‘forcing’ smaller businesses into the new system first justify departing from what would be the more ‘standard’ approach: to roll it out to larger businesses and willing volunteers first, and ironing out problems with that population before extending to those with fewer capabilities.