Letter to the Financial Secretary to the Treasury

General Features



19 February 2024

The CIOT wrote to the Financial Secretary to the Treasury, setting out several key issues which require his attention.

Nigel Huddleston MP was appointed Financial Secretary to the Treasury (FST) on 13 November 2023, succeeding the Rt Hon Victoria Atkins MP. When a new FST is appointed, we write to them setting out what we think are the priority areas which require their attention.

Because Mr Huddleston was appointed just nine days before the Autumn Statement, our first letter to him (sent jointly with the ATT) focused solely on Making Tax Digital (tinyurl.com/yc34x6cx). In early January, we took the opportunity to write our usual 'welcome' letter, highlighting the following issues:

Investing in HMRC to improve service levels: We explained that HMRC's performance standards are falling badly short and remain the single biggest concern

of our members. We highlighted the results of our survey, which had found widespread dissatisfaction with HMRC service levels. We set out our concerns about the possible impact on compliance if taxpayers and agents are unable to get the information and support they need from HMRC, and urged investment in HMRC to be maintained until digital services and guidance enable better self-service.

Review Making Tax Digital: We referenced our earlier correspondence, and our desire to follow this up.

Simplifying the tax system: We said that the UK tax system has become far too complicated for taxpayers to understand and comply with. Further, a complicated tax system is harder to digitalise, as well as making it more challenging for HMRC to administer it effectively. We expressed our disappointment at the abolition of the Office of Tax Simplification, but welcomed the government's commitment to 'embed tax simplification into the heart of government'. We reiterated the need to make changes to policy process, and attached the letters (www.tax.org.uk/ref1098 and www.tax.org.uk/ref1221) we had sent to his predecessor, suggesting nine changes to help embed simplification at the heart of tax policy.

Research and development (R&D) tax credits compliance: While we agree that action is needed to tackle high levels of error and fraud in R&D credit claims, we expressed our concern that HMRC's handling of R&D tax relief compliance is resulting in valid claims being rejected. Though we are continuing to engage with HMRC, we requested a meeting with the FST to discuss alternative approaches to tackling abuse in this area.

Regulation of tax services: We are keen to see the raising of standards across the industry, but recognise that this is a complex area and that many issues need resolving to identify an effective and workable system. We would like to better understand the specific problems the government is seeking to fix through regulation, to ensure that any regulatory model is designed in a way that best achieves tackling these issues or is introduced with an understanding of the limitations of such a model. We also would like to ensure that due consideration is given to alternative or additional options, which may more directly tackle the specific problems identified. For example, enforcement of restrictions that HMRC could put on 'bad' agents, whom none of us wish to see acting in the industry.

A copy of our letter, and the FST's response can be found at: www.tax.org.uk/ref1283.

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