President's page, July 2017

Welcomes

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We need to talk about evasion

I said in my address to the AGM in May that as tax professionals we needed to acknowledge and reflect the expectations of the society of which we are a part. That includes recognising that public attitudes to tax avoidance have changed in recent years and certain tax behaviours, whilst still being entirely legal, are no longer regarded as acceptable to our society. The recent changes to the rules on Professional Conduct in Relation to Taxation ('PCRT') agreed to by seven leading bodies whose members practise tax (CIOT, ATT, ICAEW, ICAS, ACCA, AAT and STEP) are a part of this recognition. Similarly, as an Institute we have always been supportive of the broad thrust of the Base Erosion and Profits Shifting ('BEPS') initiative to address the concerns of governments around the world about the international 'plumbing' by which multi-national corporations are taxed. Accordingly, although we will never be able to satisfy everyone, I feel most reasonable observers would agree that as an Institute we (and other leading professional bodies) have faced up to the challenge of 'unacceptable' tax avoidance behaviours and we will continue to do so.

However, society, just like individuals, is capable of some extraordinary blind spots where it doesn't wish to address certain behaviours and I wonder whether some attitudes to tax evasion fall into this category. Indeed, one powerful argument for continuing to focus on certain types of aggressive avoidance is because people feel that if the 'big boys' are getting away with things because they can afford clever advisors then it's not unreasonable for others to 'get away with' a little as well.

After all, in HMRC's own analysis of the 'tax gap', the tax lost from the categories of 'Hidden Economy' and 'Evasion' are approximately six times the tax lost by 'avoidance'. Despite this, although politicians talk about addressing 'avoidance and evasion' they've allowed the two terms to be used so interchangeably that most

people tend to believe that such things as ‘dodgy tax schemes’ rather than simple criminality are by far the bigger problem. Of course, that can be quite convenient because it doesn’t require us to confront some of our own behaviours. I’m thinking of situations, for example where people who would regard themselves as generally honest and would never dream of stealing a can of beans from a supermarket would nonetheless accept a ‘discount for cash’ even though they strongly suspect tax evasion is involved or would deliberately fail to declare goods bought overseas on which they know Duty is due.

I accept that it is horribly difficult to raise these topics without sounding either ‘holier than thou’ or prissy or both. I have no doubt that some people will react exactly that way to this article. To be clear, I am not suggesting that anyone paying cash is necessarily facilitating tax evasion and I am not attacking honest tradesman who are just trying to keep their administrative costs down. However, as I also said at the AGM, in our desire to ensure we do not criticise those people who do not deserve criticism, let us not fail to address those who do.

There are many aspects to addressing this problem. A general move to a more cashless society is clearly one. In other countries, there have been some truly innovative ideas which we can think about including, for example, a free lottery ticket on all taxi receipts to encourage people to take them. Perhaps more controversially, a high rate of VAT on certain big value items may be relevant. Even though the principle is clearly the same whether we are talking about a few pence or a fortune, in practice if one is paying five thousand pounds for some building work, the attraction of saving another thousand by avoiding the VAT could be considerable. As an Institute, we are keen to offer government our technical and practical knowledge and experience to help address these challenges. We’d also be willing to assist with a public information campaign.

HMRC are already doing a great deal to address this problem. Nonetheless, I suggest we all need, as a society, to reflect on the extent to which we effectively condone the criminality of tax evasion however uncomfortable that may be. Fortunately, attitudes can change. I am (sadly) old enough to remember a time 30 odd years ago where a colleague who had been arrested for being over the drink driving limit received consolation from his peers. Today I suspect he would have been roundly criticised for his selfishness and today’s young generation find it hard to understand how drink driving could ever have been condoned. Changing attitudes towards tax evasion will take time but maybe now is a good moment to make a start?

With best wishes to all.