

Cash and digital payments in the new economy

1 August 2018

The LITRG submitted a response to HM Treasury's call for evidence on how digital technology is changing the way people make payments with a general transition away from cash to using digital payment methods. The call for evidence was very wide-ranging and LITRG only responded to questions which we have experience to answer such as on how the government could reduce tax evasion and the hidden economy.

LITRG considers that tax education would be the most useful tool over the long term to improve social and ethical morality with regards to tax evasion and the use of the hidden economy. The government needs to encourage tax education by changing the national curriculum to devote more time to and prioritise the importance of financial education and ensuring that school teachers have the appropriate training and necessary support to enable them to teach these topics with confidence. HMRC have made a positive start with this by producing short 'Tax facts' films for school pupils explaining tax and also topics such as the hidden economy. However, LITRG have concerns that in a target-driven, overcrowded school curriculum these films will not be shown or discussed during lessons.

Our response suggested the government tackles the perception of the general public that 'big businesses' and wealthy individuals receive more favourable tax treatment through the current tax system. Until this perception is tackled, it will be harder for the government to increase the general public's social and ethical morality in relation to tax compliance. A possible way to do this is by highlighting to the general public how much tax revenue is lost to tax evasion, criminal activities and the hidden economy compared to tax avoidance (40% compared to 5% based on the tax gap for 2015-16).

Our response noted that the publication of the final report on the Business Record Checks initiative would be very useful when trying to understand the record-keeping position of small businesses. We consider that the publication of this report would provide a key source of information for this call for evidence when considering how to encourage or mandate the use of business receipts.

Although the trading and property allowances (introduced in the 2017/18 tax year) have sometimes been promoted as an opportunity for the taxpayer to cut back on administrative burdens, LITRG have been working with HMRC to try and improve the guidance on GOV.UK with respect to record-keeping and these new allowances, emphasising the importance of record-keeping for all businesses.

Also, the government must continue to give a choice to people who want to use cash and encourage, where possible, that cash does not become a more expensive alternative to using digital payments as this will impact low-income households and more vulnerable groups in society, possibly causing further financial hardship or debt.

The LITRG submission is available on the [LITRG website](#) [1].

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Links

[1] <https://tinyurl.com/y8exkf8z>