

HMRC and Amazon at the Public Accounts Committee this afternoon

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Margaret Hodge's Public Accounts Committee have both HM Revenue & Customs and Amazon before them this afternoon.

Of the two, HM Revenue & Customs is much the most interesting. They are there, ostensibly, to discuss their 2013 report and accounts, and that's exactly what this committee should be doing. It's their job to hold HMRC to account. But it's also time to move on a little, I suggest. The shock and horror of a year ago is now well known. We are aware that there is a crisis in UK taxation now, and a crisis at HMRC too. The issue now is what can be done about it. In that case these might be my questions for HMRC if I was to be given the chance to grill them this afternoon:

Governance

1. Your board is now dominated by people from the private sector, big business and big accountancy. Doesn't that impair your objectivity, freedom for manoeuvre, credibility and independence and if so isn't it time for a total re-think of the governance structures of HMRC?
2. Some of your directors have been directly linked to past and recent tax abuse stories. Do you think that appropriate?
3. Why is that almost no one who has been trained within HMRC is promoted to its board? What is wrong with the training and the leadership of HMRC that it cannot apparently train its own leaders when that is the moral pattern in most organisations in the UK?

Tax Gap

4. Why don't you recognise the tax avoidance of companies like Google, Amazon and Starbucks in the tax gap reporting that you undertake? Doesn't your denial of an obvious truth undermine the credibility of everything you have to say on this issue?
5. Over the last few years you have suggested that the VAT tax gap is about 12%. Small

parts - and I stress, small parts - of this are due to organised crime and bad debt. The vast majority is down to tax abuse, whether avoidance or evasion. Despite this your own data suggests [**that the UK shadow economy might be only 1.3% of the UK economy. The ONS estimate it at 1.7%.**](#) In the light of that VAT gap, which is tax lost on the UK's top line, neither of those estimates of the shadow economy is credible is it? VAT applies to vast amounts of activity - even many government services. How can you say if 12% or more of VAT is lost the shadow economy is only 1.3% of UK GDP. Aren't you massively underestimating the tax gap?

6. Hundreds of thousands of UK companies literally disappear each year and are struck from the register of companies without ever paying tax or filing accounts. How do you know they don't owe billions of tax when they disappear from view? How many of them do you investigate? Why not more? What are you going to do to increase tax collection from these phantom companies?

7. The figures you use for moonlighters and ghosts in the shadow economy are, in your own words 'illustrative estimates'. When are you going to do some real research on this issue and dedicate the resources needed to tackle this issue?

Staffing

8. Can you tell us staff numbers at HMRC over the last few years and what changes there have been?

9. Can you tell us how many senior tax inspectors have left HMRC over the last few years? How has their experience been replaced?

10. What is the age profile of senior investigative staff at HMRC? How has this changed over time?

11. What is a well qualified tax inspector at HMRC paid? Is this competitive? How are you going to keep staff if you are not willing to pay appropriate rates of pay?

12. It's claimed that £900 million is being invested in HMRC. But how has HMRC's budget really changed over the last five years? What proportion has gone to tax investigation?

Investigations

13. We often focus on big business and the last time we hear there was £25 billion of tax in dispute with them. What is the figure now? How and why has it changed? What proportion of any change is down to fewer cases being investigated? How many senior staff have left the department preparing this estimate in the last two years?

14. Tax evasion is a small business problem. VAT is a particular issue. How many small business VAT visits are there a year? How has this number changed over the last five years? How many staff are engaged on this activity and how has that changed over recent years? What is yield per person? How has it changed? Why aren't you investing more?

15. We hear a lot about task forces. So taxi drivers are looked at in Yorkshire and plumbers in Somerset. Doesn't that just signal to plumbers in Norfolk that they can get away with it for the time being in that case? If there's a problem with a sector why not employ the resources to look at it nationally? Why this token gesture approach?

16. How many PAYE investigations are undertaken each year? How has the number changed? What is the yield per visit? Why are so few done in that case? Wouldn't you find more moonlighters and ghosts if you did more such visits?

17. We hear little of IR35 these days and yet contracting has grown in the UK economy, and with it the problems of tax abuse caused by umbrella companies and the loss of revenue due to national insurance avoidance IR35 was meant to tackle. What are you doing about these challenges? How are you confronting them?

Minimum wage

18. People on low pay in this country are dependent upon you to protect them by ensuring the minimum wage is paid. Despite that we hear time and again of minimum wage abuse in things like social care. Why are you failing the low paid of this country?

19. How many people monitor the minimum wage in HMRC? Is that a serious commitment to ending exploitation in this country?

20. How many people have you prosecuted for abuse of the minimum wage? Why such a low rate? Are you serious about fulfilling the duties parliament has given you?

International reform

21. The G8 has spoken on international tax and so has the G20. What is your estimate of the extra tax that could be raised if the reform processes they have begun were to be put in place?

22. The G8 has called on the OECD to introduce country-by-country reporting. Why isn't HMRC out in the business community demanding this information from multinational corporations now, and why can't it be made a specific UK requirement that all companies supply country-by-country reports on all their activities to HMRC before any international consensus is reached?

23. Does arm's length pricing work for transfer pricing purposes? If not - as seems clear to use - why aren't you promoting unitary taxation?

24. Why isn't HMRC calling for reform of international rules on tax permanent establishment so that Amazon, Google and others can be taxed on what they do in the UK? Isn't it your job to be vocal on this issue?

24. How many information exchange requests have you made to the UK Crown Dependencies and Overseas Territories (by place please) in the last five years and how many have the replied to satisfactorily in each case? Are you happy with that?

25. How will the new FATCA style agreements with the Crown Dependencies and Overseas Territories change the data you receive from these places? What resources are you going to dedicate to examining the new data you receive? What extra tax yield do you expect to recover as a result? When are they plans being finalised and put in place?

26. Why has the Swiss tax deal failed to collect the tax you claimed it would deliver? What is happening now to remedy the faults?

I am sure I could write many more.

Right now though that will do.

I wonder how many might be asked? I am not an optimist.