

It is time for a proper review of HMRC

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Jolyon Maugham [has posted the following on his blog](#) (which I always recommend) this morning, and I cross post it with his permission:

Back in February Labour [announced](#) that it would, if it took power, begin an “immediate and independent review into the culture and practices of HMRC with regard to tax avoidance.”

This politicisation of the question whether HMRC retained public confidence diffused the logic of the demand. But the force of the argument sufficed to overcome this handicap. A broad church of respected industry figures coalesced around a single answer. Paul Aplin, Chair of the ICAEW Tax Faculty Technical Committee, Professor Judith Freedman at Oxford University, Ray McCann and Richard Murphy all joined in the call for a review.

The politics have come and gone. But the issue has not got away. Paul Aplin has [repeated](#) the call. [Twice](#) (£]. As has [Bill](#) Dodwell, Head of Tax Policy at Deloitte. And so, too, [apparently](#), Grant Thornton. Let me, here, add my voice to theirs.

There is much that we agree on. We each of us identify the need for a review as stemming from a breakdown in public confidence in HMRC: of this, and the threat it poses to social cohesion, there can be no serious doubt.

We all, no doubt, understand the difficulties arising from a constrained funding environment. But even proceeding from this premise, there remains much that might be done to improve the relationship between HMRC and the public it serves.

Political accountability must be enhanced: whilst I have heard the arguments, I still do not understand the case for HMRC remaining a department without a minister.

Transparency goes arm in arm with accountability: the culture of HMRC must change so that it proceeds instead from the assumption that the public has a legitimate interest in understanding the basis on which decisions are made. Whilst plainly there will be hard

cases, even under the law as it presently stands there is high level authority for the proposition that HMRC could move some way from the status quo.

Whilst there is disagreement amongst professionals as to whether the recent extensions to HMRC's powers are justified, there is an emergent consensus that those powers are subject to inadequate internal and external control and supervision. These failings are not only to be found at HMRC — but it is there that rebalancing the culture must begin.

As I and many others have observed, the proper functioning of our tax system is materially contingent upon the public's voluntary obeisance to it. That obeisance is under strain. Lose it and it won't be recovered in a dozen Finance Bills.

I agree, although I think Jolyon's suggested remit is too narrow and shows his legal background. I would include the need for a thorough review of the governance of HMRC in the brief. As I have said before, and will say again, it is absurd that HMRC's board is made up from the large business community and its advisers, who between them represent about 700 tax payers when there are 31 million income tax payers alone in the UK.

It is also absurd that parliament has almost no resources available to it to scrutinise HMRC. [Margaret Hodge may have done well](#), but it was despite the National Audit Office and not because of them. Indeed, the NAO fought long and hard to deny information on HMRC to the PAC. That is wholly unacceptable and must change. It is why I suggest that there should be an Office for Tax Responsibility reporting straight to the PAC that can properly audit HMRC and tax policy.

Third, any review should look at the resourcing of HMRC.

And last, in any such review rather more than the interests of big business and the tax profession must be represented or this will look like a stitch up and that is the very last thing that is needed now.