The APPG on Responsible Tax needs to get its term of re...

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The All Party Parliamentary Group on Responsible Taxation recently submitted a draft call for evidence for an inquiry into the operations of HMRC. It was a draft because they actually asked for submissions on the draft terms, which were prepared by the ICAEW on their behalf, before the inquiry even commences. This is the submission I made on those draft terms on my own behalf and on behalf of the Fair Tax Mark:

I have noted the proposed terms of reference that the ICAEW has proposed for your next inquiry. This is to be into the capacity and capabilities of HMRC. Please accept this note as a submission made on behalf of both Tax Research LLP and The Fair Tax Mark. I am a director of both organisations.

It is our belief that the proposed terms of reference are too ambitious for an organisation with relatively limited resources, such as the APPG. Three main headings of inquiry are suggested and under each numerous sub-topics are proposed. The net effect is that a very wide range of issues will be subject to a call for evidence and the resulting written submissions may be so diverse that no useful conclusions might be drawn. That would suggest that these terms of reference are inappropriate.

In that case the issue does seem to require exploration in a much more focussed way. Of the main themes you have noted, that which stands out for attention would seem to be HMRC's capacity to address tax avoidance and tax evasion. There are three reasons for saying so.

The first is that this is where the greatest risk to HMRC's capacity would seem to be. Whilst the digitisation process has problems inherent within it, few argue that HMRC should not use IT to best effect so long as this does not deny staff and taxpayers access to the help they need to deal with the nuances of our tax system. The real question that arises is, then, whether or not this process is being effectively managed.

Similarly, whilst the day-to-day relationships between HMRC and taxpayers are vital, most of the questions that this section might address relate to the allocation of resources by HMRC's senior management, particularly with regards to relocation of *offices.*

It is our suggestion that both these questions really relate to resource management. In our opinion this issue would be best addressed by looking at HMRC's management of issues relating to tax avoidance and tax evasion. Success on these issues is dependent upon the existence of both skilled and experienced staff who can detect the patterns of behaviour that those undertaking these abuses display and who have the capacity to address them. This, then, in microcosm, reflects the threefold challenge HMRC is believed to face right now. These can be summarised as the challenges arising from financial capacity constraints, the limited availability of skills and the shortage of appropriate political support to deliver behavioural change on the part of taxpayers that will ensure their compliance rate is voluntarily increased, which must be the goal of every tax authority the whole world over. We do therefore suggest that HMRC's capacity to address these issues of tax avoidance and tax evasion should be the focus of your inquiry and that evidence relating to this issue alone should result in a more focused report.

If this recommendation was accepted we suggest use of the following questions to assist realisation of this goal:

- Has HMRC properly identified the issues it needs to address when it comes to tax avoidance and tax evasion?

- Are the definitions HMRC uses when discussing these issues appropriate?

- Has HMRC properly identified the scale of the issues it faces with regard to these issues in the case of each tax that it manages, and if not, why not? - Has HMRC the appropriate tools that it needs to address these issues? If not what additional resources, whether legislative, financial, human or administrative are required?

- Are those resources appropriately located at present and what impact do HMRC's reported plans have upon this issue?

- Can the available resources specifically deal with the additional information that HMRC is expecting to receive as a result of new agreements to supply data on country-by-country reporting, automatic information exchange from tax havens and the transfer of information on the beneficial ownership of companies and other limited liability entities?

- Does HMRC in your opinion have the ability to secure the information that other countries might request from the UK to assist their own programmes aimed at tackling tax avoidance and tax evasion, and if not, what steps should be taken to address any deficiency?

- Is HMRC tackling the right cases when it comes to tax avoidance and tax evasion? Is

their programme of work as a consequence having the desired behavioural impact on taxpayers generally? If not, how can this work be best leveraged to deliver maximum impact and so revenue yield?

- Is HMRC securing all the political support that it requires to achieve its goals with regard to tax avoidance and tax evasion?

- If HMRC is not delivering an appropriate programme to tackle tax avoidance and tax evasion are there any suggestions that you might wish to make as changes in its management, structure, accountability, resources or other relevant issues not covered by previous questions?

I would be happy to discuss these suggestions with you.