

## Three tax inquiries to get your teeth into

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Three investigations were announced by the Treasury Committee of the House of Commons yesterday. Because the detail of these things do not usually get publicity I think it appropriate to publish the calls for evidence in full.

The first call is on VAT [and is as follows](#):

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### Scope of the inquiry

The Treasury Committee invites written submissions addressing any of the following questions:

VAT and the tax gap

- \* What are the root causes of the UK VAT gap and how might they be addressed?
- \* Is government policy-making sufficiently responsive when a weakness in the UK VAT regime is identified?
- \* Are there ways in which HMRC's compliance strategy for VAT could be better targeted to close the VAT gap? Could its resources be deployed more effectively?
- \* Do developments such as the growth of on-line trading or changes in the labour market reflecting modern working practices require a new approach to VAT compliance?
- \* Is HMRC's approach to large, medium-sized and small businesses appropriate for the nature of the risk to the VAT element of the tax base that each sector poses?
- \* In what ways is the tax base in the UK vulnerable to exploitation by those determined to circumvent VAT rules, push boundaries or develop aggressive VAT planning arrangements? How might either the law or HMRC's processes and procedures be improved to reduce that vulnerability?

\* What role do advisers play in encouraging or facilitating aggressive VAT planning arrangements? Do businesses, tax advisers and professional bodies have concerns about the nature of the advice given by some practitioners?

## **VAT and Brexit**

- \* What opportunities and challenges for the UK VAT regime are presented by the UK's exit from the European Union?
- \* What are the chief concerns for HMRC and for business?
- \* What impact will Brexit have on HMRC's efforts to reduce the VAT element of the tax gap?

## **VAT and business**

- \* What aspects of VAT (either process or design) cause the biggest problems for businesses? How might they be improved?
- \* In 2015-16 over £3.5 billion was lost due to mistakes in VAT returns according to HMRC figures? Will Making Tax Digital be sufficient on its own to reduce error and significantly improve the collection of VAT? What other action would help businesses to get their VAT returns right?
- \* Can disagreements between HMRC and a business about how much VAT is due be resolved quickly and fairly? If not, what are the obstacles and how might they be overcome?

## **VAT and good tax policy**

- \* How does VAT measure up against the principles that tax policy should:
  - o Support growth and encourage competition
  - o Provide certainty without regular recourse to the courts - which in turn requires legal clarity, simplicity and targeting (so that taxpayers are clear whether or not they are liable for particular types of charges to tax)
  - o Provide stability, with minimal change unless there is a justifiable economic or social basis
  - o Be practicable, meaning that a person's tax liability should be easy to calculate and straightforward and cheap to collect; and
  - o Be coherent, with new provisions complementing the existing system rather than conflicting with it.
- \* Is the process of making VAT policy sufficiently open to scrutiny and debate? Are there ways in which the current process can be improved?

## **Submit written evidence**

**The deadline for written submissions is Thursday 31 May 2018**

The second is on tax avoidance and evasion [and the call for evidence](#) says:

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## **Scope of the inquiry**

In recent years, HMRC has taken steps to address public concerns about the actions of individuals and businesses determined not to pay their fair share of tax. It has launched strategies to address offshore evasion and reduce the use of tax avoidance schemes. It has sought and been given a range of new powers to strengthen its hand against tax dodgers and those that design and sell the schemes to help them.

Against this background, the Treasury Sub-Committee intends to examine what progress has been made in reducing the amount of tax lost to avoidance and offshore evasion and whether HMRC has the resources, skills and powers needed to bring about a real change in the behaviour of tax dodgers and those who profit by helping them.

The Treasury Sub-Committee invites the submission of evidence in response to any of the following questions:

- \* To what extent has there been a shift in tax avoidance and offshore evasion since 2010? Have HMRC efforts to reduce avoidance and evasion been successful?
- \* Is HMRC adequately resourced and sufficiently skilled to identify, challenge and counteract existing and new avoidance schemes and ways of evading tax? What progress has it made since 2010 in promoting compliance in this area and preventing and responding to non-compliance?
- \* What types of avoidance and evasion have been stopped and where do threats to the UK tax base remain?
- \* What part do the UK's Crown Dependencies and Overseas Territories play in the avoidance or evasion of tax? What more needs to be done to address their use in tax avoidance or tax evasion?
- \* How has the tax profession responded to concerns about its role in aiding tax avoidance and evasion? Where does it see the boundary between acceptable and unacceptable practice lie?

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[Send a written submission](#)

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Last there is to be a hearing on the conduct of tax enquiries and the resolution of tax disputes, [and this is the call](#):

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## **Scope of the inquiry**

HMRC is responsible for the collection and management of taxes, duties and national insurance contributions. In its code of governance for resolving tax disputes, HMRC outlines internal governance processes that are intended to ensure that it deals with all tax disputes fairly and in an even-handed manner.

The Treasury Sub-Committee will examine whether HMRC's approach to conducting tax enquiries, resolving tax disputes and determining the amount of tax to be paid meets those standards.

The Treasury Sub-Committee invites written submissions addressing any of the following questions:

- \* How do HMRC governance and settlement processes affect its ability to resolve tax disputes in a proportionate and fair way?
- \* Does HMRC's litigation and settlement strategy provide a rational and sound framework for resolving tax disputes?
- \* Do HMRC's collection and management powers set out in the Commissioners for Revenue and Customs Act 2005 provide HMRC with sufficient flexibility to achieve cost-effective and fair results?
- \* Does HMRC's approach to enforcing compliance with tax law, including its approach to penalties and other sanctions, result in disproportionate or unjust outcomes? If so, how can the situation be remedied?
- \* Is there sufficient governance over the whole of HMRC's enquiry process to ensure that HMRC's interventions are well-targeted and that taxpayers are treated fairly and professionally throughout?
- \* Do HMRC's governance processes provide sufficient scrutiny and assurance for clearances and approvals given to taxpayers outside the formal enquiry process.

## Submit written evidence

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[Send a written submission](#)

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I am expecting to submit evidence to the first two of these inquiries.