Funding the Future

Reducing staff in tax administrations has left them ill...

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The Institute of Chartered Accountants in England and Wales has an article of note this morning. They report that:

A new survey published by the European Federation of Public Service Unions has found European tax administrations shed 100,000 jobs between 2008 and 2018 — with significant consequences on the effective functioning of their tax systems.

The European Federation of Public Service Unions (EPSU) survey of 28 countries, including the UK, provides a stark assessment of the impact of a decade of austerity measures on tax administrations across Europe, from job losses to downgraded pay and conditions.

While the study highlights the consequences for countries' ability to counter tax evasion and fraud, the findings also raise important questions about the ability of governments to collect and administer taxes in a post-pandemic environment.

As the add:

Between 2008 and 2018, tax authorities across Europe lost over 14% of their workforce, with many losses particularly heavy around 2010 and 2011. In all countries except Luxembourg and Norway, fewer people were employed in tax administrations in 2018 than in 2008.

And this is not the only issue:

Falling staff numbers have often been achieved by not replacing staff retiring or leaving, resulting in ageing workforces. In Italy, 63% of the tax authority's employees are now over the age of 50. In the UK, the proportion of staff aged 50 and over increased from 27% in 2008 to 43% in 2018.

Whilst what seems clear is that digital services are no solution:

The EPSU survey addresses the impact of the digitalisation of tax administrations, *finding that in most countries it led to cost-cutting. While some think digitalisation has led to improved service and enhanced job quality, not all agree. France and the UK particularly seem to concur that service has not improved with digitalisation.*

Cutting staff and relying on technology can be problematic as suggested by the Danish experience, where reliance on outdated IT was identified in a 2016 government report as a major factor behind problems in tax assessments and tax collection.

The result? When we need tax revenues there will be inadequate resources to collect them.

And you can be sure that HMRC's management - who have got rid of more staff in their period that any other tax authority that I am aware of in Europe - will be all too keen to get rid of even more people, despite which they'll still claim that the tax gap will be £33bn, which it mysteriously has been (within a billion or so) for a decade now.