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Rt Hon James Murray MP
Financial Secretary to the Treasury
HM Treasury
By email

Dear James,

On behalf of the Chartered Institute of Taxation (CIOT) may I congratulate you on your appointment as Financial Secretary to the Treasury and welcome you back to the world of tax.

We very much welcomed the collaborative approach you took during your time as Exchequer Secretary and as Shadow Financial Secretary before that. We look forward to working with you once again in your new role in pursuit of our shared objective of a tax system which commands public confidence and works effectively for all those involved with it: taxpayers, their advisers and the tax authority.

We offer you and your officials our continued support and assistance in improving the UK tax system, drawing on our 20,000 members' tax expertise and experience. As a charity and in accordance with our Royal Charter obligations, we work for the public benefit, to increase understanding of the tax system and to endeavour to make it operate more efficiently.

We would welcome the opportunity of an early meeting with you to discuss some significant current issues. We would highlight:

- Raising standards in the tax advice market
- HMRC's digital transformation agenda, including progress on Making Tax Digital
- HMRC customer service levels
- Tax complexity and administrative burdens and their effect on the tax gap, productivity and growth
- Practical issues around bringing pensions into inheritance tax
- The tax policy making process

Briefly our concerns in each case are as follows. We may write in more detail on some of them in due course.

Raising Standards in the Tax Advice Market

In April we saw the introduction of new "sanctionable conduct" rules for tax advisers, while in May we saw the introduction of a legal requirement for firms offering tax advice who interact with HMRC to register and meet minimum standards.

We support the need for high standards across the profession. Our members are already required to meet professional conduct rules which go well beyond what the law dictates.

But we have serious concerns about these new powers. They are widely drawn and could be career ending. Broad drafting has created uncertainty so that some firms do not currently know if they are compliant. The new powers could cause reputable advisers to withdraw from giving some types of advice, to the detriment of their clients, HMRC's workload and the tax gap.

We are grateful for the assurances that ministers gave during the passage of the legislation, that these wide-ranging powers will be used with great care, by specialists, to deal with bad actors and that they will not be used against good agents who sometimes make honest mistakes. However, as a principle we believe that safeguards should be in law, not just in a ministerial statement. As a minimum, where ministerial assurances have been given during the passage of the legislation, guidance needs to be explicit so that the intention of Parliament is clear not just now, but in five or even ten years' time.

Digitalisation

We welcome the publication of HMRC's transformation roadmap. If HMRC are able to deliver on everything in the roadmap it will be genuinely transformational for UK tax administration. But digital systems have to work for taxpayers and agents as well as government, so to succeed we have to learn a key lesson from the Making Tax Digital project: the benefits of 'co-creation'. Better tax administration should be a common endeavour. We should share the problem, not a partly worked up solution, and we should do so at the earliest possible stage. The progress of MTD improved dramatically after this approach was adopted around three years ago and we would urge HMRC to make it standard practice.

HMRC customer service levels

You may recall that last summer CIOT and ICAEW met with you to discuss our joint report, *Tackling HMRC's Customer Service Challenge*. The meeting was a stock-take and update following a collaborative commitment between us, ICAEW and HMRC to work together on a number of the issues highlighted in the report and agreed with you earlier in the year. We welcomed your continued interest in our work and note developments since the report, including the launch of the Personal Tax Resolution service and increased collaboration with HMRC on targeted customer service issues and digital design projects.

There have been further positive developments since that meeting. We also welcome the progress that this month's performance data shows has been made in some areas such as improved telephone performance. However, the same data and member feedback also highlights continuing challenges.

We and ICAEW will be repeating our customer service study this autumn and would welcome the opportunity to share our findings with you directly, as well as with HMRC, in due course. We remain committed to working with HMRC to drive meaningful change and ensure that service improvements are sustained and responsive to agent and taxpayer needs.

Tax complexity and administrative burdens

The latest tax gap figures suggest that more than half of the gap now relates to taxpayers not getting things right through errors and carelessness. There are many causes of taxpayers getting things wrong but one is our ever-more complex and burdensome tax system. MTD aims to improve digital record keeping, but taxpayers still need to understand how to navigate the tax rules and therefore what they need to input into their software. Complexity adds to the burden of compliance and increases the risk of non-compliance.

One suggestion we have is around Tax Information and Impact Notes. These set out information on specific impacts of policies but do not say how the policy advances simplification (or if it doesn't, why that is appropriate). Additionally, when they scrapped the Office of Tax Simplification, the then government promised to provide Parliament – specifically the Treasury Committee – with an annual update on progress towards tax simplification. Just one update has been sent so far, and we would encourage you to reinstate this policy.

Practical issues around bringing pensions into inheritance tax

The government's planned inheritance tax changes continue to be controversial. CIOT does not take a position for or against these changes, but we have commented on some of their practical implications and have concerns over some of the proposed mechanisms.

In particular we are concerned that the new rules bringing pensions within scope of inheritance tax contain several practical flaws that could lead to unfair tax bills, delays in settling estates, disputes between families, pension schemes and executors, and create significantly more administrative work for HMRC.

We have identified some targeted fixes that could be made to the legislation so that pensions are taxed consistently with other assets and estates can be administered more efficiently than otherwise. We are raising these with HMRC but as they will require primary legislation we believe they require urgent ministerial attention. We will write to you separately on this matter.

Tax policy-making process

You will recall that CIOT has a longstanding interest in the tax policy-making process, seen in, for example, our 'Better Budgets' report, produced in conjunction with the Institute for Fiscal Studies and the Institute for Government. We welcomed the government's commitment to a single principal annual fiscal event and the publication of a number of tax roadmaps, as well as the collaborative, listening approach you and your officials have taken on many issues. We hope these policies and this approach will be maintained under the new administration.

We are, however, concerned that the Tax Policy Making Principles paper published by the government last summer represents in some respects a dilution of previous commitments. We are also concerned about how many of the consultations announced in the past few weeks have a shorter than usual deadline, especially given they are being carried out over the holiday period. This will not provide adequate time for bodies such as CIOT to consult properly amongst our members and will inevitably result in hastier and less thorough responses.

In conclusion, we are keen to work with you to bring about improvements in the UK tax system, particularly in the priority areas identified above, and would welcome the opportunity to meet with you to discuss these issues.

Yours ever,

Paul

Paul Aplin
CIOT President