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Dan Tomlinson MP  
Exchequer Secretary to the Treasury  
HM Treasury  
By email: [XST@hmtreasury.gov.uk](mailto:XST@hmtreasury.gov.uk)

Dear Minister,

On behalf of the Chartered Institute of Taxation (CIOT) may I congratulate you on your appointment as Exchequer Secretary to the Treasury.

The CIOT is the leading professional body in the UK for advisers dealing with all aspects of taxation. As a charity we work for the public benefit with the purpose of advancing public education in taxation. We aim to promote high standards in the tax profession, through our tax qualifications, our rules of conduct and promotion of ongoing professional development. We work to increase understanding of tax and to make the tax system work more efficiently and equitably. We are also pleased to be one of the co-authors of Professional Conduct in Relation to Taxation (PCRT) where we, together with six other professional bodies, work closely with HMRC in developing high standards which must be adhered to by our members when dealing with clients and the tax authorities.

We welcomed the approach of your predecessor to frequent discussions on key tax issues – during his time both as the Exchequer Secretary and as shadow Financial Secretary. We would like to 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.

We do not argue for higher taxes or lower taxes, or for a particular balance between different kinds of taxes, rather our objectives for the tax system are –

- Greater simplicity and clarity, so people can understand how much tax they should be paying and why
- Greater certainty, so business and individuals can plan ahead with confidence
- A legislative process which translates policy intentions into statute accurately and effectively, without unintended consequences
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented)
- Responsive and competent tax administration, with a minimum of bureaucracy

Our Low Incomes Tax Reform Group (LITRG) is especially active in trying to make the tax system more responsive to the needs of those unable to afford to pay for professional advice. LITRG will be writing to you separately in due course on issues which are of particular importance to the unrepresented population.

We would welcome the opportunity of an early meeting with you to discuss some significant issues currently relating to the tax system, a number of which we were discussing with your predecessor. In particular, we would highlight:

- Raising standards in the tax advice market
- Proposed changes to inheritance tax
- HMRC customer service levels
- HMRC's digital transformation, including Making Tax Digital
- The tax policy making process and tax simplification

### **Raising Standards in the Tax Advice Market**

This is an urgent issue given the proposed changes due to be included in this autumn's Finance Bill are (in their current form) causing significant concern across the tax industry. We strongly support the objective of raising standards in the tax advice market and recognise that there are rogue agents and malicious actors, whose poor practices and behaviour need addressing. However, measures must be well-targeted and not impose unreasonable or disproportionate financial or other burdens on reputable, competent agents, who make up the vast majority and perform an important role in helping taxpayers navigate a highly complex system and get their tax right.

We are concerned that the current draft legislation (that is aimed at enhancing HMRC's powers to tackle tax adviser facilitated non-compliance, modernising and mandating tax adviser registration and tackling promoters of marketed tax avoidance) is not only going to miss its target of tackling misconduct in the market but has the potential to create significant collateral damage to reputable tax advisers seeking to represent their clients' best interests.

These proposals have moved very quickly and are causing a great deal of angst among tax professionals. While the policy objectives are sound, the speed with which the proposals have moved to draft legislation, with little opportunity for early consultation, have left the scope of the proposal problematically wide and poorly targeted. This could result in significant market distortion – with good actors choosing not to do work which exposes them to the risk of inadvertently getting caught by the broad proposals or being prevented from doing so by the possibility of increased premiums/difficulties of acquiring Professional Indemnity Insurance (PII).

We have welcomed discussing our concerns with HMRC over the past few weeks and have made a number of suggestions to refine and mitigate the difficulties in the legislation but this is an area where ministerial awareness and backing is needed for a better outcome, preferably to a slower, more-considered timetable. We will be writing separately to you to provide more detail on this matter.

### **Proposed changes to Inheritance Tax**

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

We are particularly concerned that the proposed mechanism to bring unused pensions on death within the scope of IHT is impractical. Placing liability to pay on the Personal Representatives (PRs) of the free estate and not Pension Scheme Administrators may lead to protracted and costly litigation. The risks are that some professional executors such as solicitors and accountants are likely to withdraw from the probate market and be reluctant even to act for lay executors. This will result in dealing with IHT being left solely to lay PRs who, being unaccustomed to the processes, will produce an increased workload for HMRC and a potential drop in IHT receipts. We suggested alternative, more workable, mechanisms in our [consultation response](#) earlier this year, and more recently in a note sent to HMRC in August.

## Tax policy-making process

In 2017 the CIOT, in conjunction with the Institute for Fiscal Studies and the Institute for Government, published our '[Better Budgets](#)' report, outlining ten steps to improve tax policy-making. These included:

- Stick to the commitment to a single principal annual fiscal event and cut down Budget measure proliferation
- Establish clear guiding principles and priorities for tax policy
- Extend the road-map approach, to set out the direction of travel and future reform for areas or themes of the tax system
- Start consultation at an earlier stage, and stick to the tax consultation principles
- More systematic post-implementation review of whether tax measures are achieving their objectives

We welcome the Government's commitment to a single principal annual fiscal event and the publication of a corporate tax roadmap, as well as the collaborative, listening approach your predecessor and officials have taken on many issues. However, we are concerned that the Tax Policy Making Principles paper published by the Government in June this year, while containing some statements we can welcome, in other respects represents a dilution of previous commitments.

We have a broader concern about what we perceive to be an absence of a strategic approach by the government to tax policy-making, and a sense that policy-making is generally being carried out Budget to Budget for fiscal reasons without broad consultation or much focus on the overall design of the system. We regret the absence of any statement of strategic aims in the corporate tax roadmap. And we wonder whether the Government might have been able to achieve their aims on IHT in a less contentious way if they had consulted at an earlier stage, or perhaps even considered this as part of a wider review of IHT or capital taxes in general?

One particular area where 'the dots do not line up' is in the problem that definitions of employment for employment law purposes and employment tax purposes are not aligned. Strategically, it might seem sensible to consider the tax rules in tandem with proposals to amend employment rights. Payrolls annually process over £450 billion in transactions, making this a material issue for government.

Looking ahead to the next Budget, we note the speculation around changes to property taxes in particular. If this is an area the Government are looking at we strongly encourage you to take a strategic, holistic approach, looking at the interaction of different taxes - and non-tax policies - and the market as well as consulting with stakeholders before policies are set in stone. Wide and early stage consultation is, in our view, key to successful implementation and public acceptance. Unveiling a series of reforms on Budget day which have not been consulted on will make both bad policy and public backlash more likely.

## HMRC customer service levels

Two weeks ago CIOT, alongside ICAEW, met again with your predecessor, just over eight months after publishing our joint report, *Tackling HMRC's Customer Service Challenge*. This meeting was a stock-take and update following a collaborative commitment between us, the ICAEW and HMRC to work together on a number of the issues highlighted in the report, and agreed at a meeting with your predecessor earlier this year. We welcomed your predecessor's continued interest in our work and noted 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. We took a number of further joint actions from our second meeting with your predecessor – both to continue to work where progress is being made but also in recognition of the significant challenges that remain, where we are keen to continue our engagement and support.

There is much overlap between HMRC's digital infrastructure (see below) and customer service but improvements are needed in other areas too. In particular, the quality of tax advice provided by customer service advisers needs attention, especially as the UK tax system grows increasingly complex. 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.

## Digitalisation

We welcome the publication of HMRC's transformation road map.

HMRC's 'digital first' strategy recognises that developing and improving digital services is vital to modernise HMRC. It is vital that new digital services are designed and tested and work effectively. We would like to see a commitment to minimum standards for the introduction of new digital HMRC systems and minimum functionality to try to establish a framework for quality, which will need to evolve over time.

Making Tax Digital for Income Tax is at a critical stage in public testing, with the first wave of mandated taxpayers due to join in just a few months. It's essential that lessons from the project's design and implementation—both positive and negative—are acknowledged to avoid repeating mistakes in future initiatives. For instance, while MTD is a digital project, we understand penalty notices will still be issued by post, despite the Government's aim to reduce postal correspondence. More urgently, several key issues remain unresolved. These include a lack of clarity on outstanding policy decisions, limited testing of the system, particularly in respect of the growing number of new software entrants into this market. There is a danger that taxpayers won't be capable of making informed software choices. There is also uncertainty around HMRC's customer support plans during rollout.

## Tax Simplification

The UK's tax system continues to grow in complexity, so it is no coincidence that the tax gap from 'mistakes' remains at a high level, with error and failure to take reasonable care together making up nearly half of the tax gap. A simpler tax system would lead to fewer mistakes, as well as being easier to digitalise and reduce unnecessary contact. However, previous attempts to embed simplification have fallen short, and we reiterate the points we made in the [joint professional bodies letter](#) sent to the then Financial Secretary to the Treasury two years ago. There is a need to ensure that adequate resources and energy are devoted to meaningful tax simplification.

In conclusion, we are keen to work with you to bring about improvements in the UK tax system, focusing initially on the priority areas we have identified above, and would welcome the opportunity to meet with you to discuss the issues we have raised in this letter.

Yours sincerely,



Nichola Ross-Martin  
CIOT President