

10 January 2024

Nigel Huddleston MP, Financial Secretary to the Treasury
HM Treasury
London
SW1A 2HQ

Dear Minister

GOVERNMENT TAX PRIORITIES

I am writing to congratulate you on your appointment on behalf of the Chartered Institute of Taxation (CIOT).

The CIOT is a charity and the leading professional body in the UK solely concerned with taxation. We have worked constructively with your predecessors and we continue to offer you and your officials our support and assistance in developing the UK tax system.

Our Low Incomes Tax Reform Group (LITRG) is especially active in trying to make the tax system more responsive to the needs of low income, unrepresented taxpayers. LITRG will be writing to you separately in due course on issues which are of particular importance to the unrepresented population.

We were discussing a number of issues with your predecessor and would welcome a meeting with you to consider these, and other significant issues relating to the tax system, including:

(1) Investing in HMRC to improve service levels

A properly funded and efficient HMRC is vital to the future of the UK, ensuring that tax revenues are collected efficiently while the UK tax authority supports business in the drive to improve growth, productivity and trade. However, currently, HMRC's performance standards are falling badly short and remain the single biggest concern of our membership, which comprises Chartered Tax Advisers. Service levels must be improved if HMRC is to effectively play its essential role in supporting taxpayers and businesses; key to enabling the collection of the correct tax revenues and economic growth in an increasingly complex tax landscape.

In the summer of 2023 we conducted a survey which found widespread dissatisfaction with HMRC service levels among both tax agents and taxpayers:

- 94% of respondents were either somewhat or extremely dissatisfied with HMRC's service levels
- 96% were 'not very' or 'not at all' confident that these will significantly improve over the next 12 months
- 95% said that poor service levels have a moderate or significant negative impact on the ability to do business

We are concerned about the announcement that access to HMRC's self-assessment helpline is being restricted in the run up to the 31 January deadline, and what further restrictions HMRC may apply in the coming months. While we understand HMRC's desire to prioritise where it puts its limited resources, we are concerned that in practice many of their customers are unable to navigate HMRC's digital services, and may simply give up trying to get to the right answer. Previous trials to limit calls to complex queries, or diverting people to online services, have proven either troublesome or inconclusive. There is a significant risk of increased non-compliance, resulting in more penalties and subsequent appeals, creating more work for HMRC and taxpayers in the long run.

Investment in service levels would provide necessary support for taxpayers and agents to fulfil their tax obligations during the interim period until the digital services and guidance enable better self-service. This support could include helping people access the digital services, in itself providing useful data to inform HMRC why people are not able to, (or as HMRC believe, choosing not to), use digital services currently in cases where HMRC are advising that the answers can be found online.

(2) Review Making Tax Digital

CIOT's chief executive, jointly with her counterpart at the Association of Taxation Technicians, wrote to you in November ahead of the Autumn Statement setting out our concerns with the current approach to Making Tax Digital. We are grateful for your reply and look forward to meeting with you to discuss this matter.

(3) Simplifying the tax system

The UK tax system has become far too complicated for taxpayers to understand and comply with. A complicated tax system is harder to digitalise, as well as making it more challenging for HMRC to administer it effectively.

The CIOT was disappointed by the decision to abolish the Office of Tax Simplification. However we welcomed the government's commitment to "embed tax simplification into the heart of government" and are pleased to see some positive recent moves on the simplification front, including easements to Making Tax Digital and the cash basis, and the setting up of a group, including us and other representatives of the tax profession, HMRC and HM Treasury officials to discuss progress on simplification.

Notwithstanding this, to truly embed simplification at the heart of tax policy, we think changes to the policy process itself are needed. In April 2023, CIOT, along with representatives of other professional bodies, wrote to your predecessor (copy of letter attached) setting out nine changes which we think could be introduced to help achieve this. While we met with your predecessor in May to discuss these we have not yet had a response to our proposals. We wrote to her again in September requesting such a response (again, a copy of our letter is attached).

We would appreciate your thoughts on each of our nine recommendations so we can indicate to our members the actions you are taking to embed simplification and the consideration you have given to the points we raised.

(4) Research and development tax credits compliance

We continue to be concerned that HMRC's handling of research and development (R&D) tax relief compliance is resulting in valid claims being rejected.

We agree that action is needed to tackle high levels of error and fraud in R&D credit claims. However, as well as catching invalid claims, it appears that a large number of legitimate claims are being rejected or withdrawn due to the 'volume compliance' approach being taken. This is undermining confidence in R&D tax relief, with businesses lacking trust that HMRC will accept or properly consider legitimate claims.

We are continuing to engage with HMRC on this issue, but we would also welcome the opportunity to meet with you to discuss alternative approaches to tackling abuse in this area, as well as the other issues we raise above.

(5) Regulation of Tax Services

Your predecessor raised the issue of regulation when she met with Ellen Milner, CIOT Director of Public Policy and Victoria Todd, Head of LITRG, along with attendees from other professional bodies on 10 May 2023. We understood from the minister that it was a key area of interest and one that we agreed with her would be helpful to discuss further. We understand from conversations with HMRC that consideration is being given to how professional bodies may play a part in any future regulatory model. This is clearly of key importance to CIOT given the impact it could have on CIOT, as an organisation and on our members, and on the public.

We are keen to see the raising of standards across the industry. However, this is a complex area and we feel there are a lot of questions that need working through to identify an effective and workable system. We would like to better understand the specific problems the government is seeking to fix through regulation to ensure that any regulatory model is designed in a way that best achieves tackling these issues (or is introduced with an understanding of the limitations of such a model). We also would like to ensure that due consideration is given to alternative or additional options, which may more directly tackle the specific problems identified. For example, enforcement of restrictions that HMRC could put on “bad” agents, whom none of us wish to see acting in the industry.

(6) Other matters

We would be happy to have confidential discussions on any other matter which might be of interest to you. For example, there is increased media focus on ‘non-doms’ and we would be willing to explore this topic with you in an impartial manner. Similarly, tax avoidance is an emotive issue, and harmful to the economy, and we would welcome a conversation about how it might continue to be tackled.

I look forward to hearing from you.

Yours sincerely



Gary Ashford
CIOT President

Encs.



15 September 2023

Rt Hon Victoria Atkins MP
Financial Secretary to the Treasury
HM Treasury
London
SW1A 2HQ

Via email: Action.FST@hmtreasury.gov.uk

Dear Minister,

Tax simplification

We wanted to follow up on our letter dated 5 April 2023 and our meeting with you on 10 May 2023, where we discussed simplification. Thank you for finding the time to meet with us.

We welcomed your assurances that simplification remains a key priority and believe that accountability for its delivery remains important. We are committed to supporting the work to embed simplification in tax policy and administrative design.

Follow up with HMRC and HM Treasury officials

We have met twice with HMRC and HM Treasury officials following our meeting with you. We discussed our nine recommendations; whether there are quick, revenue-neutral, administrative changes that would simplify the system; and, how we can support this work.

Regarding our recommendations, we appreciate the process for embedding simplification is still in development and will evolve over the coming months. It was helpful to hear of plans for a senior panel to ensure policy officials have properly considered simplification in designing new measures.

Measurement of progress towards simplification, which although hard to define, remains essential. We encourage the consideration of bespoke measurements for policies based on the potential they have for simplification, albeit tied back to your overarching objectives. Your recent commitment to the Treasury Select Committee to provide an annual report of progress on simplification is another helpful step, showing this remains a priority.

We stand by our recommendation that simplification is added as a discrete category in Tax Information and Impact Notes (TIINs). We accept that the information could be included in other sections of the TIIN, but we are not

persuaded that this would be as transparent, or demonstrate the same level of commitment to simplification. Simplification goes further than proposals to simplify the tax system, it includes prevention of measures which add complexity, albeit recognising that on occasion delivering fairness may introduce complexity. It is important to deliver and measure net simplification to the tax system, rather than simplifying existing rules, while ignoring the complexity created by new ones.

We appreciated the invitation from officials to provide suggestions for simplifications, and we all continue to feed these in through the relevant working groups and stakeholder forums.

We are also working on a business case template for simplification suggestions, which we hope will provide a useful tool for the professional bodies, HMRC and HM Treasury, enabling consistency, easier comparison of ideas, and consideration of key factors. Our feedback could be greatly strengthened by a more defined scope of areas to consider as priorities for simplification, supported by a dedicated budget and legislative space.

Next steps

We have agreed with HMRC and HM Treasury officials to form a regular group to discuss progress on simplification (the Terms of Reference are being worked on by HMRC and we will provide our input into their development). We hope this group can help with ensuring a full view of the different areas and share lessons learned with the working groups.

However, we still have concerns that without a clear plan, focused resource, accountability and investment, it is going to be very difficult to deliver meaningful simplification and build trust that simplification is genuinely being embedded in the policy making process and given adequate weighting.

The changes in the simplification package at Spring Budget 2023 were a step in the right direction but narrow in scope. Our members continue to tell us that complexity – in both the UK tax administration system and tax legislation – is a key issue for them, especially when combined with the challenges they face in getting help from and engaging with HMRC customer services and systems. They would welcome simplification that has a much broader impact across the taxpayer population; this would help reduce compliance burdens and increase much desired certainty. Many are waiting to see what will happen in the wake of the OTS. A clear publication of a plan or roadmap on simplification would help signal to businesses of all sizes, our members and taxpayers, government intention and commitment.

We would be grateful for a written response to our letter of 5 April 2023. In particular, we would appreciate your thoughts on each of our nine recommendations so we can indicate to our members the actions you are taking to embed simplification and the consideration you have given to the points we raised.

Regulation

When we met on 10 May, you requested we schedule a further discussion on the regulation of the tax profession.

This is an important subject for us as the tax professional bodies, and one which we have been discussing as a group and with HMRC. Any changes would directly affect our members, and our role as professional bodies in upholding the standards as signatories of Professional Conduct in Relation to Taxation (PCRT) rules, with which all our members must comply.

We are united in our desire for high standards to both protect consumers and close the tax gap and would welcome the opportunity to meet with you to discuss this subject. Please let us know a convenient time for this conversation.

We will be publishing this letter, and your response, on our websites.

Yours sincerely

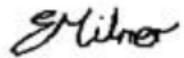
[by email]

Jane Ashton



Chief Executive Officer, Association of Taxation Technicians

Ellen Milner



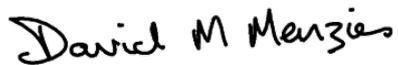
Director of Public Policy, Chartered Institute of Taxation

Frank Haskew



Head of Tax, Institute of Chartered Accountants in England and Wales

David Menzies,



Director of Practice, ICAS

Victoria Todd



Head of Low Incomes Tax Reform Group, Chartered Institute of Taxation



5 April 2023

Rt Hon Victoria Atkins MP
Financial Secretary to the Treasury
HM Treasury
London
SW1A 2HQ

Via email: Action.FST@hmtreasury.gov.uk

Dear Minister,

Tax simplification

During his 'Growth Plan' statement on 23 September 2022, the then Chancellor of the Exchequer, Kwasi Kwarteng, announced the abolition of the Office of Tax Simplification (OTS), with the intention instead to "embed tax simplification into the heart of Government". He added that he "mandated every one of my tax officials to focus on simplifying our tax code".

The abolition of the OTS is one of the few announcements made by the previous chancellor that hasn't subsequently been reversed, and indeed it was confirmed in last month's Budget. The House of Commons Treasury Committee wrote to the Chancellor in an effort to identify the reasons for this,¹ and we were interested to see his response, published last week.²

We regret the decision to abolish the OTS. In our view the OTS achieved a significant amount during its 12 years of existence and, with greater ministerial support for its proposals, could have achieved still more.

However we welcome the Chancellor's assurance to the Committee that the closure of OTS does not mean that simplifying tax is no longer a priority, and confirming that officials in the Treasury and HMRC have been given a clear mandate to focus on simplicity in tax policy and administrative design.

We are keen to ensure that tax simplification is indeed embedded as promised and we offer our support to help Treasury and HMRC officials achieve simplification.

There are several processes which we think the government should introduce in order to deliver on its promises, and demonstrate its commitment to tax simplification:

¹ <https://committees.parliament.uk/publications/34334/documents/189101/default/>

² <https://committees.parliament.uk/publications/34633/documents/190670/default/>

1. Identify the characteristics of tax simplification

Tax simplification can mean different things to different people. Our view is that simplification should include a simplification of processes, aimed at making it easier and cheaper for taxpayers, HMRC and tax agents to manage the tax system. It could also make it easier for taxpayers to understand their business and family choices. Simplification should be a principle to aid design, implementation and administration. However, while there might be reasonable exceptions, it would be expected that overall, steps taken to achieve this would achieve a reduction in the length of the tax code and improved legislation generally.

It is important that the government sets out what it means by tax simplification, so it is clear to officials and external stakeholders what the government is seeking to achieve. It can also act as a yardstick against which its actions can be measured. We would welcome the opportunity to help identify these characteristics or develop a definition. The OTS identified a working summary of simplification in its recent 'Review of Simplification' report,³ and there is a great deal of work which can be readily built upon.

2. Ensure someone is accountable for delivery of tax simplification

Successive governments have introduced additional taxes and new obligations for existing taxes, with no-one seemingly accountable for the increased complexity brought by those decisions. Even during the existence of the OTS, the tax code has increased in complexity much more than it would have been simplified if all the OTS' recommendations had been accepted and implemented.

If the government is to simplify the tax system, someone needs to be accountable for its delivery. We welcome the Chancellor's comments in his letter of 20 March 2023 that he will oversee simplification supported by you, as Financial Secretary to the Treasury. We consider that an accountability mechanism needs to be devised, including directly before parliament, perhaps at the Treasury Committee, so that progress can be monitored and scrutiny applied.

3. Include simplification declarations in tax information and impact notes

Tax information and impact notes (TIINs) are intended to give a clear explanation of a policy's objective, together with details of the tax impact on the Exchequer, the economy, individuals, businesses, civil society organisations and any equality or other specific area of impact. They also contain a declaration, typically by the Financial Secretary, that they have read the TIIN and are satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.

We consider that TIINs should be expanded to include an assessment of how the measure compares against the characteristics of simplification and, where it does not contribute towards simplification, an appropriate explanation is required. We recognise that certain measures (eg rate and threshold changes) may warrant a more straight-forward assessment than, say, an entirely new tax. We also recognise the importance of achieving policy objectives.

4. Gaining external input to policy design and implementation

Tax is rightly the responsibility of the government and specifically the Chancellor and tax ministers, supported by the Treasury and by HMRC. The challenge is that there is limited scope for external input to the design and workability aspects of policy decision making. Finding new ways to gather that input would be beneficial.

The tax system contains many examples of legislation and obligations which are overly complex, because the tax policy-making process set out in 2010 and continued by subsequent administrations was not fully respected, and

³ Paragraph 1.37, <https://www.gov.uk/government/publications/ots-review-of-tax-simplification>

consultation took place too late in the process (if at all).⁴ Proper consultation can tease out particular pain points and provide opportunities to overcome them, while also delivering the policy intent.

We encourage the government to endorse and re-commit to the tax policy making process, consulting on new policies at stage 1 (setting out objectives and identifying options), with tax simplification considerations being a mandatory part of the process. Where exceptional circumstances prevent the full consultation cycle being respected, a Ministerial Statement should explain why that is the case, and what the government is doing to replace the intelligence foregone as a result.

5. Seek feedback from a broad range of stakeholders

One of the strengths of the OTS was its willingness and ability to engage with a wide variety of groups affected by the tax system. That key benefit will be lost if the OTS is disbanded. We support evidence-based policy making, and remain willing to help the government obtain 'grass roots' feedback.

However, while professional bodies and other representative groups reach out to their members for feedback (such as through surveys or direct engagement), it is often difficult to obtain feedback from individual businesses and personal taxpayers. Consideration should be given to identifying new ways of seeking this direct input.

Taxpayers are likely to be reluctant to participate in research undertaken directly by HMRC or HM Treasury, and so the government will need to increase its use of third-party researchers (such as Kantar Public and IFF Research as now) to obtain input from those affected. Tax charities and industry groups can also provide useful input. It is vital that policy-making includes the objective assessment that only external stakeholders can bring, and we remain willing to support the government obtain the feedback it needs.

6. Ensure HMRC and Treasury engagement groups include tax simplification as a standing objective

Professional bodies such as ourselves, and other stakeholders, have extensive interaction with HMRC and the Treasury through a variety of engagement groups. These range from long-standing forums such as the Compliance Reform Forum, to short term ones such as around the COVID employment schemes. We recently calculated that we are involved in over 60 engagement groups, mainly with HMRC.

We recommend that tax simplification forms part of the remit of each of these engagement groups. This will help support embedding the mandate of tax simplification across HMRC and the Treasury, rather than it being the responsibility of what currently appears to be a small team.

7. Increase awareness and improve guidance

Taxpayers should be informed of their obligations and entitlements, and have easy access to guidance which is sufficient to enable them to be understood.

However, many taxpayers are simply unaware of their obligations. And if they look on GOV.UK, the guidance can be hard to find, inaccurate, and difficult to follow, with the navigation between high-level guidance and more detailed explanations (eg in HMRC's manuals) often proving difficult. While our engagement with HMRC, such as through the Guidance Strategy Forum, has delivered some improvements, the operational constraints of GOV.UK set by the Government Digital Service (such as the seeming preclusion of diagrams and PDFs) mean that tax rules and obligations are difficult to describe. We think that standards need to be designed specifically for taxation, recognising the range of different users.

⁴ The High Income Child Benefit Charge, and 30/60 day CGT reporting are just two examples.

We are pleased that the government is to undertake a systematic review of HMRC guidance and key forms for small businesses,⁵ and we look forward to participating in the review. We also believe that more can be done to inform people of their obligations and entitlements, particularly in emerging areas such as the digital economy and hobby businesses, and again we are willing to work with HMRC on this.

8. Allow time for development and integration of systems

Changes to taxes go way beyond updating words in legislation, and frequently involve the development of new processes and digital systems to enable compliance. Too often recently, tax changes have resulted in new, stand-alone systems (such as the CGT property reporting service) which do not communicate with existing systems (such as Self-Assessment). They also require separate credentials and agent authorisation processes. All this results in confusion and duplication of effort. Similarly, new services are often introduced with less functionality than those they replace, either because insufficient time has been allowed for their development, or the importance of the existing functionality has not been recognised.

We consider that any tax changes should be capable of being accommodated within HMRC's existing systems and processes, and sufficient time permitted for design and testing before the policy is implemented. It is vital that consideration of how a policy will be implemented takes place at an early stage in the policy-making process, to avoid confusion and complexity when the obligations go 'live'. Further, there should be a commitment that any change to existing processes should deliver, as a minimum, the existing functionality. Anything else is a retrograde step.

Ideally, HMRC should have a ten-year plan for adopting new, more flexible and modern technology for managing the nation's tax system.

9. Adopt a consistent approach across tax regimes

Across the tax regimes, many of the rules and processes for doing ostensibly the same things, are different. For instance, the rules for checking returns, assessing tax due, and resolving disputes are not consistent. This causes complexity not only for taxpayers and their agents, but for HMRC, too, and leads to increased litigation.

We welcome that HMRC, as part of its review of the Tax Administration Framework, is starting to look at such matters, and some policies (eg penalty reform) will align existing disparate rules. But we would specifically encourage the government to focus on bringing consistency across the tax system, and consult on where that might be achieved.

We will be publishing this letter, and your response, on our websites.

We would be happy to meet with you to discuss our concerns further and look forward to your response.

Yours sincerely

[by email]

Jane Ashton



Chief Executive Officer, Association of Taxation Technicians

⁵ Box 3.C Tax simplification and paragraph 4.92, 'Spring Budget 2023'.

John Cullinane



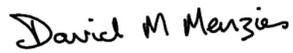
Director of Public Policy, Chartered Institute of Taxation

Frank Haskew



Head of Tax, Institute of Chartered Accountants in England and Wales

David Menzies,



Director of Practice, ICAS

Victoria Todd



Head of Low Incomes Tax Reform Group, Chartered Institute of Taxation