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Dame Meg Hillier MP
Chair of the Treasury Committee
House of Commons

Via email: meghilliermp@parliament.uk; treascom@parliament.uk

Tuesday 5 November 2024

Dear Dame Meg,

Budget October 2024 – tax measures

Congratulations on your appointment as chair of the Treasury Committee and to the other members of the committee on their appointments.

Ahead of your evidence session with the chancellor on Wednesday, we, the Chartered Institute of Taxation (CIOT), thought you might find it helpful to have our comments on some of the tax measures in last week's Budget. We have set out below our early thoughts on the following areas:

1. National insurance
2. Inheritance tax – agricultural and property reliefs
3. Inheritance tax – pensions and general points
4. Capital gains tax
5. Non-dom changes
6. Changing late payment interest rates on unpaid tax liabilities
7. Tackling non-compliance in the umbrella company market
8. Making Tax Digital – lowering the threshold
9. Corporate Tax Roadmap
10. Business Rates
11. Tax Administration Framework Review
12. Tackling the Tax Gap
13. Tax Simplification
14. HMRC Accountability

Please let me know if you would like to discuss these, or any other areas of taxation, further. The CIOT is an educational charity and we would be happy to provide you, your committee and advisers with support and insight on tax matters, as we have done for your predecessors.

1. National insurance

Key Budget announcement: An increase of 1.2% to 15% to employers' NI; and a decrease in the threshold at which you start paying employers' NI from £9,100 per annum to £5,000 per annum

The increase in employers' national insurance (NI) extends the differential in the burden of tax and NI borne by those in employment compared to those engaged as self-employed.

The higher employers' NI goes, the greater the likelihood employers may seek ways to mitigate or absorb the burden. While much media coverage has centred on the fact that this may have an impact on wages / pay rises, it could also include employers considering alternative arrangements to taking on people as employees. Alternatives could include outsourcing or offshoring services, and managing with fewer workers.

While employers must pay employer NI on their employees' earnings, no employer NI is due where someone is genuinely self-employed. However, a worker's employment status for tax is notoriously difficult to judge, as we have seen from recent complex litigation involving some TV presenters and football referees.

We are concerned that the increase in employers' NI could lead to an increase in 'false self-employment', where businesses trying to save money turn to arrangements where the worker is not directly employed by them, without necessarily appreciating the rules and risks of such arrangements. HMRC will need to be sufficiently resourced to tackle this.

While the government is already consulting to 'Make work pay', we urge them to also work with stakeholders, businesses, unions and individuals to agree a sustainable solution to how earnings (whether from employment or self-employment, or via a personal service company) should be taxed.

2. Inheritance tax – agricultural and property reliefs

Key Budget announcement: Limit inheritance tax reliefs for business and agricultural assets

Tapering agricultural and business property reliefs (APR and BPR) will limit the extent to which they can benefit wealthier business owners. However, this change is likely to trigger an increase in the number of lifetime gifts, as all but those owning the smallest value farms and businesses scramble to avoid paying inheritance tax (IHT), though this will be less, with a 20 per cent relief on the value of qualifying assets over £1 million, than if it had been removed entirely.

While we appreciate that unlimited reliefs can be potentially exploited beyond the original aims of the relief, many family farms, with not particularly large acreage, and family businesses will be adversely affected by the change and the £1 million threshold. The government state that they expect almost three-quarters of estates claiming APR in 2026-27 (the first year under the new rules) to be unaffected by this reform. The source of this claim is presumably their figures indicating that in 2021-22 (the latest figures available) 73% of APR claims were for assets of £1 million or less in value. However, we note that it is common for an estate to claim both APR and BPR so an estate making a combined claim of up to £2 million split equally between the two reliefs would fall below the £1 million threshold for each but would not fall below the combined £1 million threshold which the government are proposing to introduce.

It seems unlikely to us that the figures for the value of assets claimed for APR currently are reflective of the full value of farms in the UK today. Beyond anecdotal evidence there are data indicating that

the average price of farmland in England is £27,900 per hectare and that the average (median) farm size in England is around 35 hectares. Multiplying the former by the latter gets you to just under £1 million as a rough estimate for the average (median) farm value in England (even ignoring the farmhouse, farm buildings, plant and machinery, etc – admittedly nil-rate bands will knock out some of this though farm owners may also have other savings and assets to counterbalance this).

This does not mean that more than half of farms will be brought within the scope of IHT, only that – based on these rough estimates – more than half of farms have a value of more than £1 million, so are over the allowance for APR/BPR. Whether the changes will bring them into the scope of IHT will depend on the interaction of APR not just with BPR but with nil-rate bands and other reliefs as well as potential behavioural changes including more lifetime gifting to family members and changes to the structuring of farm businesses. Behavioural changes of these kinds will potentially reduce the revenue from the changes.

Additionally, while the £1 million APR/BPR allowance is not (according to the Budget note) transferable between spouses in the way nil-rate bands are, it appears a farm jointly owned by a couple could potentially use two £1 million allowances (as well as two sets of nil-rate bands and residence nil-rate bands) if a share of the ownership of the farm was passed to the next generation on the first death and the remainder on the second. This is presumably what the Chancellor was referring to when she told the BBC on Sunday, "you can pass on without paying any tax, for most cases, a farm worth £3 million", but it would be helpful to have clarity on this.

The Treasury costings document states that the costing "accounts for a behavioural response whereby individuals restructure their estates by making greater use of other available reliefs and exemptions". It does not state how great an effect they are anticipating. It would be of interest to know what assumptions the government have made.

This change also raises a more practical concern – it will create a lot more administrative work with formal valuations being needed for farms and businesses worth more than £1 million and potentially greater input from HMRC and district valuers on enquiries.

There is a further argument around the introduction of major changes such as these at short notice. Is it fair, when people have taken long-term decisions based on a particular set of tax rules, to radically change those rules with very little notice? Of course this isn't to say that no tax relief should ever be withdrawn – or that people should expect tax reliefs to continue to apply for ever. But – particularly where long-term decisions have been taken (e.g. those relating to pensions and IHT, in particular) – there is an argument that transition should be more gradual or incremental. Here the only transitional provision is a delay until 6 April 2026. It might have been fairer to have had (say) 75% APR/BPR (that is, a 10% rate) for a few years and then a further reduction.

3. Inheritance tax – pensions and general points

Key Budget announcement: Bring inherited pensions into IHT from April 2027

Subjecting inherited pensions to inheritance tax is an understandable move. By giving preferential treatment to pensions the current set-up incentivises those who can afford to do so to use up other assets while they are alive and leave the pension untouched; pensions were never meant as a means to bequeath wealth tax-free.

This move effectively aligns pensions with other forms of investment and seemingly returns pensions to their primary duty of providing for retirement. Transfers to a spouse will presumably be exempt; only when passing to the next generation will IHT apply. But expanding the asset base of IHT will mean more estates exceeding the £2 million threshold, at which point the residence nil-rate band is tapered away.

Both this change and the changes to business and agricultural reliefs will add significantly to the administrative burden on both HMRC, farmers, business owners and the executors of estates. HMRC need to ensure this is factored into their future service level planning.

Whilst the recent announcements constitute a significant change, this is nonetheless a missed opportunity for a wider review of inheritance tax. The UK's approach to IHT has until now been one of a high rate but with generous reliefs. With some of the reliefs being made less generous, the time is ripe for a review of whether this balance is the best way forward, especially as the rate and thresholds remain in place for longer.

4. Capital gains tax

Key Budget announcement: Increases to some rates of capital gains tax - the lower rate will rise from 10% to 18%, and the higher rate from 20% to 24%

The increase in rates is a pragmatic move. More than most taxes capital gains tax (CGT) rates have a major behavioural effect with people simply deciding not to transact if the post-tax return is too low. That – and the fact that CGT ignores the impact of inflation – is why governments have generally kept CGT rates below those for income tax. Back in 2010, Treasury analysis suggested the optimum level of CGT was 28 per cent. It looks like Rachel Reeves thinks it may be a bit lower than that. Short-term behavioural effects make it hard to judge the impact of changes until some years afterwards.

The change to Business Asset Disposal Relief (BADR) will eventually reduce the value of this relief which has been much reduced already since it was cut to £1 million in 2020. But, since the BADR rate remains at 10% until April 2025, while the CGT increases immediately to 24%, there is a window where people selling their business can save up to 14% CGT (£140,000 per person) until April 2025 and 10% (£100,000) until April 2026.

One criticism of BADR has been that it is a relief that benefits entrepreneurs when they sell up rather than encouraging and supporting them at the start. Whilst this does afford some incentive of a tax-efficient exit for would-be investors, going forward we would like to see the government look at how more help can be provided to help new entrepreneurs, perhaps through additional upfront reliefs and incentives for the early years of a business.

It is sensible that the lifetime limit for Investors Relief has been aligned with that for BADR; they are essentially the same reliefs, albeit targeted at passive rather than active shareholders, so there is little logic for having hugely different limits.

5. Non-dom changes

Key Budget announcement: Confirmation that, from next April, the concept of domicile as a relevant connecting factor in the UK tax system will be replaced by a system based on tax residence

Moving from domicile to residence as the basis for taxing people who are internationally mobile makes sense. Domicile is a difficult concept to define and apply to modern living. Residence is a

more objective and simpler measure and more in keeping with an increasingly internationally mobile world.

The current system is flawed both for HMRC and non-doms. It is difficult to determine domicile, it is complex, and the process of 'remitting' non-UK income may actually discourage people from investing in the UK, as foreign income investment and gains are taxed if they are brought into the country but not if they are left outside or invested elsewhere. The proposed reforms address some of these problems.

It is pleasing that many of the recommendations made by CIOT after these changes were originally announced by the last government have now been taken on board. The package represents a sensible and pragmatic balance between keeping non-doms in the UK and getting them to pay more tax, although the behavioural effect of the changes is very finely balanced and it is difficult to know whether the government has got the balance exactly right.

For example, the Temporary Repatriation Facility, – a relief that encourages non-doms to bring historic foreign income and gains here – has now been extended to trusts and will last three not two years. CIOT made a number of suggestions to improve the practical operation, which we are pleased have been taken on board. We have received some feedback that psychologically the notably specific 12% rate of tax has nudged more people to analyse their options and consider moving their money from the UK (more so than a round 10% rate would have done). We are concerned that there is no long-stop date, meaning that some non-doms will simply choose never to remit – meaning that complex legislation will need to be on the statute book for decades to come. Further, the fact that the government feels it necessary to amend the definition of remittance (while abolishing the concept for future income and gains) shows that something is not quite right in the balance that has been struck here.

The length of time during which individuals remain within the IHT tail after leaving the UK has also been shortened in certain circumstances. This is a welcome change – making someone subject to UK IHT for a further 10 years after leaving the UK when they may not have been in the UK for that long in the first place would have been disproportionate.

Also welcome is the transitional rule for those who have already left the UK before 6 April 2025. That transitional rule should, though, be extended to the trusts of settlors who have left before that date. (By way of example take a non-dom who had previously been in the UK for 20+ years but who became non-resident in, say, the 2023-24 tax year. Any trust set up by such an individual (before they became deemed domiciled) would currently be outside UK IHT and, with the individual having ceased residence two years ago (before these changes were ever contemplated) they would not unreasonably expect their trust not to be brought back into the UK IHT system. However, because the individual becomes a "long-term resident" for 25-26, the trust will come back into the UK IHT system for one year. And then, when the individual ceases to be a long-term resident in 26-27, the trust will suffer an automatic IHT exit charge. Having given a transitional rule for the individual themselves, that transitional rule should be extended to their trusts).

Technical changes such as more generous loss relief are helpful in making the new regime run more smoothly and the financial limit of £300,000 to overseas workday relief is also sensible as are the transitional IHT reliefs for existing excluded property trusts.

6. Changing late payment interest rates on unpaid tax liabilities

Key Budget announcement: Late payment interest rate charged by HMRC on unpaid tax liabilities to increase by 1.5 percentage points

The government propose to increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percentage points, with effect from 6 April 2025. If the Bank of England base rate remains the same, this will mean that the rate of interest on unpaid tax will be 9%. The rate of interest paid by HMRC on overpaid tax is just 4%; a differential of some 5%.

Interest is generally charged on underpaid taxes in order to represent 'commercial restitution' – that is, to compensate the Exchequer when it has been deprived of an amount of tax for a period of time. The previous government adopted three principles which should apply to the interest regime; recompense, fairness and simplicity.[1]

It is possible for a taxpayer to underdeclare an amount of VAT due to HMRC, in circumstances where that VAT is reclaimable as input tax by a third party such as the taxpayer's customer. In such cases, there has been no loss to the Exchequer and no compensation or restitution is required.

Under the previous interest regime (which applied to VAT return periods starting on or before 31 December 2022), this principle of commercial restitution could be applied. HMRC had discretion to apply an 'inhibit' setting on their system so that no default interest would be charged to the supplier for the underdeclared output VAT, because there had been no loss to the Exchequer.

Under the present system (which applies to VAT return periods starting on or after 1 January 2023), HMRC no longer has statutory discretion to not charge interest in these circumstances, so the ability to apply the old inhibit indicator is no longer available. So, interest is now being charged in situations where there is no net loss to the Exchequer. In practice, the Exchequer is often enriched by the entire 9% interest on the underpaid tax, due to the differing rules around when VAT becomes payable to HMRC by the supplier, and when it can be reclaimed by the customer. We do not understand this to be a deliberate policy intention and it may simply have been an oversight due to the unique position of VAT - a tax chargeable by one person that is sometimes reclaimable by another. However, this is clearly inconsistent with the principles outlined above, and we made a representation ahead of the Budget on this matter. It is disappointing that the government did not take the opportunity to rectify the situation.

Due to the disparity in interest rates outlined above, this creates an absolute cost – a penalty in any other name – even though no tax has been lost and there has been no intent to deprive the Exchequer. This statutory discretion must be reinstated as per the previous rules. It is inequitable that the Exchequer should be enriched at the expense of businesses where there is no net-loss to the Exchequer.

7. Tackling non-compliance in the umbrella company market

Key Budget announcement: The government have decided that, from April 2026, recruitment agencies, or end clients where there is no agency, will be responsible for accounting for PAYE tax and NI contributions on payments made to workers that are supplied by umbrella companies

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[1] Paragraph 2.1, https://assets.publishing.service.gov.uk/media/5a81d452e5274a2e8ab560e6/Making_Tax_Digital_-_interest_harmonisation_and_sanctions_for_late_payment_-_consultation.pdf

This announcement, which follows a consultation held in 2023, sends a firm message that the government wants to protect workers from problems like disguised remuneration and tackle the behaviours of some unscrupulous umbrella companies whose actions have had a significant and negative impact on the life and well-being of low-income workers.

However, we have set out below why this was not the approach we would have chosen. In a response to the consultation, the CIOT's Low Incomes Tax Reform Group (LITRG) indicated a preference for the government to either introduce a mandatory due diligence requirement or a debt transfer provision. However we recognise that the significant loss of tax revenue from the practices of some umbrella companies and the new government's focus on tackling the tax gap are likely drivers of the decision to move forward with the alternative option.

Nevertheless, there are a number of consequences that might flow from the Budget announcement. For instance, although it does not stop employment businesses/agencies from using an umbrella company or payroll company to discharge their PAYE obligations, it is likely that some agencies will simply stop using umbrella companies. While this does respond to some of LITRG's concerns in terms of impact on workers, it also means that some good umbrella companies, who arguably have a legitimate role to play in the current labour market, may leave it. There is also the risk that the same concerning issues may arise within agency payroll, which just shifts the problem.

It is essential that HMRC have a good understanding of the potential implications of their plans on the wider labour market, including the support that workers will need to understand any changes to how they are engaged. HMRC must also ensure that they enforce these new provisions, otherwise the same problems will continue to exist and the benefits to workers and the exchequer will not be fully realised.

8. Making Tax Digital – lowering the threshold

Key Budget announcement: That the threshold for having to join Making Tax Digital (MTD) for income tax will be lowered from £30,000 to £20,000. The timeline will be announced at a future fiscal event, but will be before the end of this Parliament

Under previous plans, those with gross self-employment and property income ('turnover') of over £50,000 will join MTD for income tax from April 2026 and those with income over £30,000 will join from April 2027. This Budget now brings those with income over £20,000 into the scope of MTD for income tax.

When MTD for income tax was first announced, the turnover threshold was set at £10,000. LITRG were always clear that this was far too low. Splitting the difference at a turnover of £20,000 will still bring many businesses and landlords who are not liable for income tax within the scope of MTD, meaning they will have to get to grips with digital recordkeeping and using third-party software.

HMRC need to make sure that MTD works smoothly and that the necessary support is easily available before it is rolled out to those on the lowest incomes.

The previous government promised that free third-party software would be available, but this remains scarce, and with limitations on use. LITRG are still firmly of the view that HMRC must develop their own suitable basic free product to allow those at the lower end of the income scale to meet their MTD obligations, in the same way they do now for self assessment. Under self assessment there is no mandation to file tax returns online. Taxpayers can use paper tax returns if they choose to do so – there is no exemption required. HMRC provide free software for those who

choose to file their self assessment tax return online, subject to some restrictions. (As a result of making the online filing process attractive more than 97% of those filing choose to do so online.)

9. Corporate Tax Roadmap

Key Budget announcement: Publication of a corporate tax roadmap making certain commitments, for example to keep the corporation tax rate at no higher than 25%, and to maintain full expensing, as well as marking the government's intent to consult on a number of other areas of corporate taxation

The Corporate Tax Roadmap is a big signpost to companies of the direction of travel, highlighting areas of future focus and potential change within the corporate tax system. We welcome this. However, the scope is narrower than we hoped for, with the roadmap's focus only on companies and the corporate tax system, rather than all businesses. It would have been helpful for the government to have given a similar steer in terms of direction to all businesses, to have included some overarching strategy for business taxation and to have considered whether the various reliefs discussed in the roadmap do work effectively and deliver on the government's overall aims.

The roadmap promises certainty and stability for companies in confirming certain elements of the corporate tax system that will not change, which is welcome. But we would have liked to have seen a little more ambition around the areas that are going to be explored in the coming years for potential change and reform. An overall message of stability and certainty is not undermined by future reform if this is conducted following a careful and full consultation process, with sensible lead in times.

The plans for capital allowances, for example, still seem to be another missed opportunity for a fuller review of the rules to ensure that the reliefs work effectively and deliver on the government's overall strategic and policy aims.

It is disappointing that greater use of clearances is confined to R&D reliefs, although we also note the government is proposing to develop and consult on a new process that will give investors in major projects increased advance certainty about the tax that will apply. Early clarity over what is meant by a 'major' project would be helpful.

However, this commitment is limited to large businesses and we suggest that there is an opportunity to think more carefully about how greater certainty can be provided for small business – especially given we know that this is the population accounting for 60% of the tax gap due to this group of taxpayers not getting things right.

We hope that progress and development of the commitments in the roadmap are monitored and reported on over time, providing further clarity as to the actions taken and the planned next steps following the outcomes of the various consultations.

10. Business Rates

Key Budget announcement: Publication of a consultation paper on possible changes to the existing business rates system

The consultation paper on business rates published at the Budget, while constructive, focuses on further changes to the existing business rates system rather than wider strategic reform that looks also at how business rates align with the wider tax system.

If the government intends to proceed with strategic reform, we suggest setting a timescale for full and transparent consultation. Structural changes will benefit from predictability and long lead-in times, giving full consideration to the inherent complexity any changes could bring to lease structures, the rent rates equation within the rental market and property investment more widely.

11. Tax Administration Framework Review

Key Budget announcement: The government has announced the next stages of the Tax Administration Framework Review (TAFR). A summary of responses to the call for evidence on 'HMRC's enquiry and assessment powers, penalties and safeguards' was published which outlines the government's intention to consult on three priorities: new ways to tackle non-compliance, simplifying and improving behavioural penalties and improving access to alternative dispute resolution and statutory review. Plus, there was an announcement of a plan to consult next spring on 'Making better use of third-party data'. Only the first of these four consultations was published on Budget day.

The CIOT will be engaging with HMRC and responding formally to this consultation in due course. Our initial impression is that it is attempting to tackle in isolation one element of what was consulted on earlier this year, rather than taking a bolder approach - looking at the greater 'tax admin' picture, for example alignment and simplification of the rules and processes across all the taxes.

When the 10-year review of the UK's tax administration framework was announced back in 2020, there was much anticipation of what it could deliver. We have not yet lost hope of its potential for big, bold reform, but as time goes by, it is perhaps inevitable that expectations are starting to be lowered. After all, we are already 4+ years into the project and, whilst there have been a few consultations, we have not yet seen any real change or indeed a 'TAFR Roadmap' so we remain unsure about its direction of travel and what the tax administration framework could look like in 2030.

Much will also ultimately depend on the successful delivery of improvements to HMRC 's digital capabilities, so in that respect we look forward to the publication of HMRC's Digital Transformation Roadmap in spring 2025 and more investment in modernising and reforming HMRC (paras 4.118 and 4.119 in the Red Book).

12. Tackling the Tax Gap

Key Budget announcement: A series of measures to tackle the 'tax gap', including recruiting an additional 5,000 compliance staff and increased collection of overdue tax debt by additional investment in HMRC debt management staff

We welcome the additional investment in HMRC to reduce the tax gap, but are concerned that a lack of additional investment in customer service will hinder efforts to improve the proportion of willing taxpayers who get their tax right.

The measures announced are described as "the most ambitious ever package to close the tax gap", raising additional tax revenue per year by 2029-30 of £6.5bn. In 2022-23, the latest published figures, the total tax gap was £39.8bn - this ambitious target represents over 16% of that total.

There will be a £1.4bn investment over the next five years to recruit an additional 5,000 HMRC compliance staff, with the first 200 starting training in November. The estimated income from this additional compliance activity alone is over £2.7bn a year. Funding of £262m is also being provided

over the same period for 1,800 debt management staff with the focus on increasing collection of overdue tax debt.

This additional investment is a bold, billion-pound bet by the government on tackling the tax gap, but the additional revenue estimates are ambitious and taxpayers can be forgiven for wondering whether they will be achieved.

Almost half of the tax gap (nearly £18bn) relates to taxpayers not getting things right through what HMRC categorise as either error or a failure to take reasonable care. With this in mind we are concerned that no additional investment has been made to underpin the commitment to improve HMRC's customer service. This concern has been exacerbated by early findings from a research project we have carried out jointly with ICAEW over this autumn into tax agents' interactions with HMRC. This research tells us that whilst recent investment may have improved connection rates to helplines, there is much to do to improve HMRC customer service, including the resolution of queries, while it continues to have a detrimental impact on the tax system as a whole, the ability to do business and the wider economy.

One finding from the study is that a quarter of issues raised through helplines and webchats go unresolved, while in 41% of cases, agents needed to contact HMRC again.

Poor HMRC customer service is making it difficult for those who want to be compliant to be so, through registering and paying their taxes on time, or claiming the reliefs or repayments to which they are entitled. We believe that poor service levels, coupled with other factors such as inadequate guidance, are contributors to the high levels of mistake which form, as noted above, nearly half of the tax gap.

The largest component of the tax gap by customer group is small businesses at a 60% share (£24.1bn). There appears to be little in the Budget to address this, and little transparency about what is driving these errors by the small business population. It may well be a combination of factors – such as inadequate guidance, complex tax rules, poor customer service from HMRC – but there is certainly more work to be done in identifying the causes and in educating and helping small business owners to understand their tax obligations better. In the longer term it is surely more cost effective to prevent errors being made in the first place (pre-submission) than for HMRC to have to undertake costly 'downstream' compliance.

13. Tax Simplification

Key Budget announcement: The government has stated that it will simplify the tax system and will announce a package of measures to simplify tax administration and improve the customer experience in spring 2025

We welcome the government's commitment to meet with stakeholders to understand the priorities for administration and simplification, so that it is driven by the views of taxpayers. For too long, tax simplification has repeatedly been stated as a governmental aim, yet has continued to lose the battle against the additional complexity added to the tax system at each fiscal event.

In April 2023 the CIOT, along with the Association of Taxation Technicians, Low Incomes Tax Reform Group, Institute of Chartered Accountants of Scotland and Institute of Chartered Accountants in

England and Wales wrote to the then Financial Secretary to the Treasury to stress the importance of simplifying the tax system.[2]

Within this letter, we set out several processes which we think the government should introduce to deliver on its promises to simplify the tax system and demonstrate its commitment to tax simplification. Those recommendations remain relevant today:

1. Identify the characteristics of tax simplification
2. Ensure someone is accountable for delivery of tax simplification
3. Include simplification declarations in tax information and impact notes
4. Gaining external input to policy design and implementation
5. Seek feedback from a broad range of stakeholders
6. Ensure HMRC and Treasury engagement groups include tax simplification as a standing objective
7. Increase awareness and improve guidance
8. Allow time for development and integration of systems
9. Adopt a consistent approach across tax regimes

Further explanation was provided alongside each of those recommendations.

14. HMRC accountability

Key announcement: The Exchequer Secretary has been appointed chair of the HMRC Board, the first minister to take this post

We are aware that some critics have suggested this move 'politicises' the HMRC Board. However our more nuanced observation is that it appears to be a sign of the new government's intent to hold HMRC accountable for its performance, which is something we welcome.

The latest report from the Charter Stakeholder Group (on which the CIOT is represented) identified that in a survey completed by 1,647 agents and taxpayers, only 3% thought that HMRC was held sufficiently accountable for their performance.[3] This needs to change.

While there is no reason to believe the new chair will attempt to politicise the role this appointment raises the question of what controls are in place to prevent any chair (minister or not) from doing this in the future. Transparency and clarity on the chair's remit would be helpful.

We hope these comments are helpful. We look forward to working with the committee over the course of this Parliament.

Yours sincerely

Ellen Milner
Director of Public Policy
Chartered Institute of Taxation

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[2] https://www.tax.org.uk/ref1098
[3] https://www.gov.uk/government/publications/hmrc-charter-annual-report-2023-to-2024/hmrc-charter-annual-report-2023-to-2024#overview-of-hmrcs-performance-against-the-charter

The Chartered Institute of Taxation

The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

Our stated objectives for the tax system include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- 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.

The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

Our 20,000 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.