



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

REVIEW OF ENFORCEMENT POWERS OF THE REVENUE DEPARTMENTS

In my minute of ^{repeated} ~~4th~~ ^{3rd} December about rights of entry to business premises, I referred to the study being conducted by Peter Rees and said that I would put proposals for the next stage to you when we had a decision in the Rossminster case.

2. Our manifesto commitment to review the enforcement powers of the Revenue and Customs and Excise has been reinforced by the unease expressed by their Lordships about search powers; and by your own concern about the powers of entry possessed by Government officials. The enquiry into enforcement should, I think, be carried out by an impartial external body and should go quite wide, including (but not being confined to) search powers.

3. My clear preference is for a small committee composed of able and experienced individuals outside Government and the administration. Provided the Lord Chancellor is content I should like a High Court judge to chair, with a membership of four or five. It ought not to be too metropolitan or too representative of the big battalions. It seems to me that it should include one or two businessmen and an accountant together with a member of the legal profession and preferably someone with practical experience of tax administration who could advise whether possible changes in the law could seriously affect one way or another the



departments' ability to carry out their statutory duties. The committee would have to balance the need to see that the law is complied with against the need to avoid putting excessive burdens on taxpayers. Michael Havers advises that the fact that legal proceedings may be current or pending which involve consideration of these enforcement powers at a time when the committee is reviewing them does not of itself give rise to any impropriety. The committee will not concern itself with specific cases or refer to them in its reports.

.... 4. The proposed terms of reference (attached) will cover the powers of entry of both departments, except for the Revenue's power to inspect premises for rating valuations. It would be possible for Peter Rees to look separately at this for the purposes of the report which David Mitchell is collating. On the other hand, as we are currently reviewing the future of the domestic rating system, it might be preferable to leave a review of those particular powers aside for the present.

5. Subject to your views, I would like to announce the setting up of the committee by means of an arranged PQ as soon as I have the Lord Chancellor's agreement to a chairman.

G.H.

(G.H.)

5 February 1980

TERMS OF REFERENCE

To enquire into the tax enforcement powers of the Board of Inland Revenue and the Board of Customs and Excise, including: powers of investigation into the accuracy of returns including powers to call for information and comments; powers of entry and of search of premises and persons; powers relating to cases of fraud, wilful default or neglect and to cases of reckless action: but not including the ordinary processes of collecting outstanding tax and the charge of interest thereon. To consider whether these powers are suited to their purposes having regard both to the need to ensure compliance with the law and to avoid excessive burdens upon taxpayers and to make recommendations.

Short title: Committee on the enforcement powers
of the Board of Customs and Excise
and the Board of Inland Revenue

DRAFT

PARLIAMENTARY QUESTION

Question: To ask the Chancellor of the Exchequer what steps he intends to take to carry forward the review into the enforcement powers of the Inland Revenue and Customs and Excise promised in the Manifesto.

Answer: I am setting up a committee under Mr. Justice with the following terms of reference.

FILE

VLS

Home Affairs

7 February 1980

The Prime Minister has considered the Chancellor of the Exchequer's minute of 5 February, about the review of enforcement powers of the Revenue Departments.

She is content with the proposed terms for the review, and with the type of membership for the Committee envisaged by the Chancellor. The Chancellor raised the question whether Mr. Rees should look separately at the Revenue's power to inspect premises for rating valuations, in the context of the report which Mr. Mitchell is collating. She would like Mr. Rees to undertake this work.

M. A. PATTISON

M. A. Hall, Esq., M.V.O.,
H.M. Treasury.

A

PRIME MINISTER

Here are the Chancellor's proposals for reviewing the enforcement powers of the Revenue Departments.

- (i) He seeks your approval for the terms of reference for the enquiry enclosed with his minute.
- (ii) He seeks your approval for the type of membership he has in mind. If you are content, will you want to see the individual nominations?
- (iii) He points out that the review will not cover the Inland Revenue's power to inspect premises for rating valuations. He wants a decision on whether you wish Mr. Rees to look separately at this for the purpose of the "rights of entry" review which David Mitchell is handling. As the Revenue is very much at the centre of the rights of entry issue, would you like to ask ~~whether~~ Mr. Rees ^{to} ~~should~~ undertake this? *Yes not*

MAD

6 February 1980

~~B/K 31.3.80~~
end way
in Hansard

Home
Affairs

27 February 1980

Thank you for your letter of 26 February, about Mr. Rees's forthcoming announcement of the Review of Enforcement Powers of the Revenue Departments.

The Prime Minister has noted this, and is content with what is proposed.

I am sending a copy of this letter to Richard Prescott (Paymaster General's Office).

M.A. PATTISON

Roy Warden, Esq.,
H.M. Treasury.

RWA

PRIME MINISTER



For information -
Answer for Thursday

MAP 26/2

Treasury Chambers, Parliament Street, SW1P 3AG

M A Pattison Esq
Private Secretary
No 10 Downing Street

26 February 1980

Dear Mike

REVIEW OF ENFORCEMENT POWERS OF THE REVENUE DEPARTMENTS

The Chancellor wrote to the Prime Minister on this matter on 5 February. You may like advance warning that the Minister of State, Mr Peter Rees, will be announcing the setting up of an independent Committee in a parliamentary answer on Thursday 28 February. I attach a copy of the draft reply.

I am sending a copy of this letter to Richard Prescott.

Yours sincerely,
Roy Warden

R WARDEN
Private Secretary

C - Rochester and Chatham

MRS PEGGY FENNER: To ask Mr Chancellor of the Exchequer, if he has completed his review of the powers of inspectorate within the Inland Revenue and Her Majesty's Customs and Excise; and if he will make a statement.

DRAFT REPLY

The Government will be setting up an independent Committee to review the enforcement powers of the Inland Revenue and the Customs and Excise. The Committee will be asked to weigh the need to ensure compliance with the law against the need to avoid excessive burdens on taxpayers. The precise terms of reference, the name of the Chairman and members, and arrangements for submitting evidence will be announced later.



✓ MAP.
Home Affairs.

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7th January 1980

Dear Ian Ellison,

RIGHTS OF ENTRY INTO BUSINESS PREMISES

Stuart Hampson copied to me his letter of 20 December. The Chancellor has noted the views of the Secretary of State for Trade and is well seized of the strength of his feelings as conveyed in the letter. The Chancellor has also noted the obiter dicta in the recent Rossminster case to the effect that Parliament might wish to reconsider the powers it had given to the Inland Revenue. But, as the judgments also reflect, there are conflicting public interests at issue here - and the balance needs to be carefully struck after full consideration. That is the purpose of reviewing the enforcement powers of both the Inland Revenue and Customs and Excise. It will be better to await the outcome of the review which, subject to the agreement of the Prime Minister he plans to set up as soon as possible. Meanwhile the Chancellor thinks it would be a mistake to rush into legislation.

I am copying this letter to Stuart Hampson and to those to whom he copied his.

Yours sincerely,
Richard Tolkien ..

R. I. TOLKIEN
(Assistant Private Secretary)

Ian Ellison Esq.