

Prime Minister

If you are attracted by the idea of  
a Taxpayers' Charter I suggest you discuss  
it at your next bilateral with the Chancellor.

Yes  
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PRIME MINISTER

You could discuss Keith generally  
at the same time.

15 November 1985

Content!

DKS 15/11

IMPLEMENTATION OF KEITH REPORT

This year's Finance Act implemented the Keith proposals on VAT, proposals for the Inland Revenue were promised for the 1986 Budget. The Chancellor now wishes to delay them until the 1987 Budget to give more time for consultation and to ensure that the detailed provisions are absolutely correct. He would like to announce this shortly.

There is no doubt that updating the Revenue system is long overdue and that the Keith proposals - covering the administration, investigation, enforcement and appeal procedures - ought to be an improvement both for the Revenue and the taxpayer if implemented in a balanced manner.

The Chancellor has condensed Keith's 99 recommendations into some 30 proposals. These appear sensible but until they are worked up in detail it is difficult to comment.

Nevertheless, those who suffer (whether innocently or because an abuse has been blocked) will complain, whilst those who gain are unlikely to be heard.

There is of course already a groundswell of complaint against the Revenue for harassment and abuse of powers which taxpayer can only pursue through their MPs. (The Commissioners' only hear cases on strict tax law whilst most of the contentious decisions relate to the very wide powers of Revenue discretion). MPs send the financial Secretary some 10,000 complaints each year - although some of these will relate to tax law rather than Revenue practice.

If Keith is to be implemented it needs to be coupled with some non-technical proposals that will be seen to redress the balance between taxpayer and tax collector, and allow easy appeal against harassment and maladministration. One

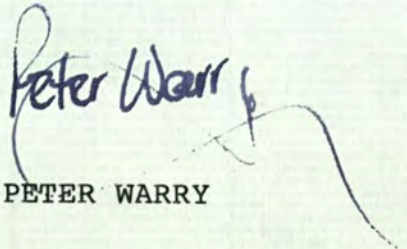
way to do this is a 'Taxpayers' Charter' supervised perhaps by the local General Tax Commissioners (who would have a reduced role under Keith anyhow).

Attachment 1 is our first draft at such a Charter. This has been seen by Treasury Ministers and the Revenue who, although initially reluctant, are now persuaded it should at least be on the agenda. The Revenue claim that the first three sections (harassment, zeal and discretion) virtually restate their existing policies, but it is abuses in just these areas that give rise to a good number of the complaints. They are not opposed in principle to section 4 (administration) although there are real practical difficulties at present, whilst they would not support section 5 (policy towards small business). For comparison attachment 2 is the existing Canadian Charter which encompasses only the harrassment and zeal sections of our proposal.

Any Charter would need to be carefully worded so as not to antagonise Revenue staff (who are already suffering loss of morale and huge backlogs of work), yet still be of propaganda benefit to Government and real assistance to the taxpayer.

We recommend

- agree delaying Keith until the 1987 budget
- the Chancellor be asked to prepare proposals for a 'Taxpayers' Charter' to be introduced in conjunction with Keith.

  
PETER WARRY

## TAXPAYERS' CHARTER

### 1. Harassment

- a. The taxpayer will be treated as innocent unless there is real evidence to the contrary.
- b. The Revenue will never deliberately place obstacles in the path of the taxpayer if these can be avoided.
- c. The Revenue will adopt a policy of active courtesy (not merely avoid being rude).

### 2. Zeal

- a. The Revenue will endeavour never to be over-zealous.
- b. The Revenue will not pursue taxation of small sums (eg minor perks), where the burden of assessing and collecting the proceeds (to all concerned) is disproportionate. (Cases of fraud will continue to be pursued independent of the sum involved).
- c. The Revenue will never knowingly demand too much tax or tax that is not payable at all. The only exception will be the use of large estimated assessments to force taxpayers to submit overdue accounts.

### 3. Application of Discretion

- a. The Revenue's discretion will always be impartially applied with equal treatment for like cases right across the country, discretion will never be used as a weapon to penalise some taxpayers and reward others.
- b. The taxpayer will be given the benefit of the doubt when there is uncertainty either as to fact or law. The Revenue would however continue to take test cases before the courts in order to clarify the law.

- c. When the Revenue decides to change policy (eg as appeared to happen on the taxation of creche benefits) they will give adequate public notice and not apply the policy change retrospectively.

4. Administration

- a. No letter or query will lie for more than three months without receiving a proper answer.
- b. The Revenue will adopt a 'do as you would be done by' policy eg the taxpayer will be expected to respond to correspondence in the same time that it takes the Revenue, interest on tax overpaid will be in all respects equal to interest on tax underpaid.
- c. So far as the law allows the Revenue will show no administrative preference towards dealing with a husband rather than a wife.

5. Policy towards Business

- a. The Revenue will treat small business in the same way as it treats big business - it will not expect small business to comply with procedures which it has waived for large businesses.
- b. The Revenue will expect a business's administrative systems and procedures to be commensurate with its needs and resources (ie the Revenue will not expect a small trader to maintain the same accounting systems or expense approval controls as those of a major multinational).
- c. The Revenue will adopt a liberal interpretation of the definition of self-employment.



# DECLARATION OF TAXPAYER RIGHTS

THE CONSTITUTION AND LAWS OF CANADA ENTITLE YOU TO MANY RIGHTS THAT PROTECT YOU IN MATTERS OF INCOME TAX. YOU ARE ENTITLED TO KNOW YOUR RIGHTS. YOU ARE ENTITLED TO INSIST ON THEM. YOU ARE ENTITLED TO BE HEARD, AND TO BE DEALT WITH FAIRLY.

HELPING YOU EXERCISE YOUR RIGHTS REMAINS AN IMPORTANT ROLE OF THE STAFF OF NATIONAL REVENUE TAXATION AT ITS DISTRICT OFFICES AND OTHER LOCATIONS. FAIR TREATMENT OF A COMPLAINT IS ONE OF YOUR GREATEST RIGHTS.

Canada

## FAIR TREATMENT IN ALL DEALINGS WITH NATIONAL REVENUE TAXATION MEANS IMPORTANT RIGHTS TO:

### Information

You are entitled to expect that the Government will make every reasonable effort to provide you with access to full, accurate and timely information about the Income Tax Act, and your rights under it.

### Impartiality

You are entitled to an impartial determination of law and facts by departmental staff who seek to collect only the correct amount of tax, no more and no less.

### Courtesy and Consideration

You are entitled to courtesy and considerate treatment from National Revenue Taxation at all times, including when it requests information or arranges interviews and audits.

### Presumption of Honesty

You are entitled to be presumed honest unless there is evidence to the contrary.

## FAIR TREATMENT UNDER THE CONSTITUTION AND LAWS OF CANADA INCLUDES IMPORTANT RIGHTS TO:

### Privacy and Confidentiality

In addition to other constitutional and legal rights, you have a special right that personal and financial information you provide to National Revenue Taxation will be used only for purposes allowed by law.

### Independent Review

You are entitled to object to an assessment or reassessment if you think the law has been applied incorrectly. To protect this right, you must file your objection within 90 days of the assessment or reassessment. Filing an objection will start an independent review by departmental appeals officers. If they don't resolve the matter to your satisfaction, they will explain how you can appeal to the courts.

### An Impartial Hearing Before Payment

Until you have had an impartial review by the Department or a court, you may withhold amounts disputed in formal objections filed after January 1, 1985. If you appeal to a higher court, you will be able to provide equivalent security instead of paying those disputed amounts.

Certain exceptions, set out in legislation to guarantee these rights, are applicable to frivolous appeals to the courts, or where collection is clearly in jeopardy.

## YOU ARE ENTITLED TO EVERY BENEFIT ALLOWED BY THE LAW

You have a right to arrange your affairs in order to pay the minimum tax required by law. You can also expect your government to administer tax law consistently, and to apply it firmly to those who try to avoid paying their lawful share.