

10 July 1986

TAXPAYERS' CHARTER

The proposed Charter is already a useful improvement to the taxpayers' rights, but it could be made still better if some of the points below were also incorporated.

Never knowingly to demand more tax than is due, save where the taxpayer has failed to submit accounts. (This is already implicit in the Charter's commitment to act within the law, but it could be made explicit.) Particularly in cases of suspected (but not proven) fraud, some Inspectors make large (often unwarranted) assessments in order to bring the taxpayer to terms. This is fine if the taxpayer is on the fiddle; but is a terrifying and expensive ordeal if the taxpayer is innocent.

Normally not to apply retrospectively new policies or new interpretations of the law to the taxpayer's disadvantage. This has been a major cause of complaint in the past: for example the crêche benefits case, where practices which had previously been tolerated appeared suddenly to become retrospectively taxable.

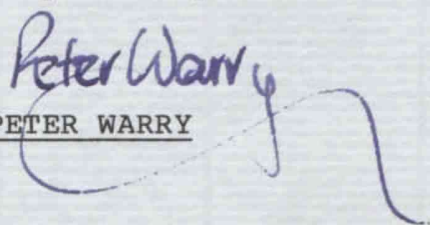
A de minimis rule whereby the Revenue would not pursue tax liabilities where the burden of assessing and collecting them was disproportionate to the amount involved. The Revenue already operate such a rule unofficially. Nevertheless, some pedantic Inspectors still pursue trivial cases, perhaps causing great worry to those (often elderly widows) ill-equipped to deal with them. As policy, the Revenue also pursue minor taxable benefits (eg subsidised canteen meals) which can involve a quite disproportionate amount of work on the part of employers. The worst situation, however, is innocent taxpayers suspected of fraud: once the Revenue's main case collapses, they often pursue all sorts of trivial issues to secure some recovery -

however small - in order to maintain their statistical success rate.

A de minimis rule could, however, result in two taxpayers with similar incomes paying different amounts of tax because of the different ways in which it was collected. (One getting the advantage of the de minimis rule and the other not.)

Have regard to the size of a business when stipulating the administrative procedures necessary to meet Revenue requirements. Many small businessmen are required by the Revenue to itemise in detail all their expense claims (who, what, where, when). In larger companies, provided they have a proper expense authorisation procedure, expenses are accepted by the Revenue on the nod. Whilst many small businesses do abuse expenses, asking for detailed information does not necessarily prevent abuse, and certainly puts a disproportionate burden on innocent small businesses compared to large ones.

Provide some independent form of appeal against breaches of the Taxpayers' Charter. (Appeal Commissioners can hear disputes about tax assessment but not about tax administration which is the substance of the Charter.) Unfortunately the Revenue, like most organisations, is unwilling to admit to mistakes, and appeals up the line are not always satisfactory. Appeal to one's MP, who can then take the matter up either with the Revenue or pass it on to the Ombudsman, is a bigger hammer than necessary to crack this particular nut. Extending the powers of the Independent Appeal Commissioners also to consider breaches of the Taxpayers' Charter would be one way of providing a simple independent route.


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