



The Tax Administration Framework: Supporting a 21st Century Tax System – Call for Evidence

12th July 2021

Introduction

About the Association of International Certified Professional Accountants, and AICPA & CIMA

The Association of International Certified Professional Accountants[®] (the Association), representing AICPA[®] & CIMA[®], advances the global accounting and finance profession through its work on behalf of 696,000 AICPA and CIMA members, students and engaged professionals in 192 countries and territories. Together, we are the worldwide leader on public and management accounting issues through advocacy, support for the CPA license and specialised credentials, professional development and thought leadership. We build trust by empowering our members and engaged professionals with the knowledge and opportunities to be leaders in broadening prosperity for a more inclusive, sustainable and resilient future.

The American Institute of CPAs[®] (AICPA), the world's largest member association representing the CPA profession, sets ethical standards for its members and U.S. auditing standards for private companies, not-for-profit organisations and federal, state and local governments. It also develops and grades the Uniform CPA Examination and builds the pipeline of future talent for the public accounting profession.

The Chartered Institute of Management Accountants[®] (CIMA) is the world's leading and largest professional body of management accountants. CIMA works closely with employers and sponsors leading-edge research, constantly updating its professional qualification and professional experience requirements to ensure it remains the employer's choice when recruiting financially trained business leaders.

The Association appreciates the efforts of the HM Revenue & Customs (HMRC) to understand how “administration of the tax system could be updated to provide a better experience for individuals and businesses, enable opportunities to further reduce the tax gap, and help build greater resilience and responsiveness to future crises.”

Guiding Principles of Good Tax Policy

The Association offers specific comments in response to this consultation by HMRC on The Tax Administration Framework: Supporting a 21st Century Tax System but would like to offer overarching thoughts based upon the Association's [Guiding principles of good tax policy: A framework for evaluating tax proposals](#) ("Guiding Principles").

Any suggestion for modifying tax rules — whether major or minor — raises the question of how to best analyse and compare proposals. A framework based on appropriate tax policies is needed to effectively analyse proposals to change tax rules and tax systems. Such a framework, based on widely accepted principles, also provides an objective approach for evaluating and improving existing tax rules.

The Guiding Principles sets out such a framework based on 12 principles of tax policy any jurisdiction should follow in order for modifications to be effective:

- Equity and Fairness;
- Certainty;
- Convenience of Payment;
- Effective Tax Administration;
- Information Security;
- Simplicity;
- Neutrality;
- Economic Growth and Efficiency;
- Transparency and Visibility;
- Minimum Tax Gap;
- Accountability to Taxpayers; and
- Appropriate Government Revenues.

The Guiding Principles can be referenced for further details on each principle and how tax policy can be analysed against them. However, in terms of tax administration, the principles we would particularly like to highlight attention to are:

- **Convenience of Payment:** Facilitating a required tax payment at a time or in a manner that is most likely convenient for the taxpayer is important.
- **Effective Tax Administration:** Costs to collect a tax should be kept to a minimum for both the government and taxpayers.
- **Information Security:** Tax administration must protect taxpayer information from all forms of unintended and improper disclosure.
- **Simplicity:** Simple tax laws are necessary so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.
- **Accountability to Taxpayers:** Accessibility and visibility of information on tax laws and their development, modification and purpose are necessary for taxpayers.

We believe that before any changes are made to the Tax Administration Framework and indeed changes to any new or existing taxes are brought in they should be assessed against these 12 principles.

CIMA attended HMRC's Tax Administration Framework Review Roundtable in June this year where it provided feedback on many of the questions outlined below. As HMRC already

has this information, CIMA will not repeat them within this call for evidence. However, where necessary, CIMA has provided some additional comments below to those provided at the Roundtable.

Specific comments

Chapter 2: Reviewing the tax administration framework

Q1. Are there reforms which HMRC should focus on for the framework review? Which changes should we prioritise to drive improvements in the taxpayer experience?

As stated below it is essential that the UK has a tax administration system that is fair, reduces unethical and criminal activity and helps reduce the tax gap.

CIMA members, through their commitment to its Code of Ethics, strive to ensure that their clients pay the correct tax that is due. However, as HMRC will be aware, not all accountants are members of professional bodies and so not bound by the same ethical and professional standards of professionally qualified accountants. Addressing loopholes or gaps in legislation where tax may be illegally or unethically withheld should underpin improvements to the tax administration framework.

Likewise, as stated below, the customer experience must be improved, in particular, an improved ability for HMRC to give timely and informed support.

Q2. Where is the tax administration framework creating challenges to the trust that taxpayers place in the tax system and HMRC's administration of it? How could the framework be reformed to address these challenges?

The pandemic has brought new challenges and HMRC have responded well, however, more needs to be done in addressing Covid related fraud. Gaining the public trust can only be achieved where HMRC are seen to take swift and robust action for those who use public funds for private, illegal gain.

Trust will be achieved where a tax system is fair, transparent and accountable. These are key principles that underpin the Association's principles of a good tax policy.

CIMA often receives concerns from members where they have been unable to contact HMRC easily or have gone through numerous channels, taking considerable time to receive the support they need. If HMRC wish to ensure taxpayers trust the tax system, there must be adequate support when needed. Lengthy call times must be reduced and further improvements around public facing guidance conducted. CIMA welcomes the fact that HMRC is already working on these issues through its Customer Charter and hopes that HMRC will continue to improve upon these standards.

Q3. Do you agree that these are the right overarching objectives to guide this review or do you believe there are others it should consider? Do you feel that some of these objectives are more important than others?

HMRC's overarching objectives appear to align with the Association principles as referred to above.

Q5. Are there other international examples or models of tax administration that could inform this review of the UK's tax administration framework?

The following vision statement is a quote from the original report of the National Commission on Restructuring the Internal Revenue Service (IRS) issued on June 25, 1997.¹ We believe this statement is as valid today as it was then, and could form the basis of HMRC's efforts to become an evolutionary and respected tax agency of the 21st Century:

...This Vision embraces an efficient, service oriented institution dedicated to collecting the proper amount of tax through the use of taxpayer education, modern customer service practices, and effective law enforcement techniques. The motivated, skilled employees of this new IRS would receive the proper training, incentives, authority, tools, and management oversight to get the job done. This new IRS would be able to help people comply with a simplified tax code, while managing its data collection and taxpayer accounts according to methods and standards employed in the best private and public sector organizations. Finally, taxpayers would have adequate protections when the agency exercised its powers in an improper fashion...

In addition, successful governance of HMRC will require strong leadership, accountability, and transparent policies working collectively towards needed change. In order to hold the HMRC accountable, the agency's governance, management and oversight structure must:²

- Develop and maintain a shared vision among all personnel and stakeholders with continuity;
- Set and maintain consistent priorities and strategic direction;
- Impose accountability on senior management;
- Develop appropriate measures of success;
- Ensure that the budget and technology support priorities and strategic direction; and
- Coordinate oversight and identify problems at an early stage.

¹ The National Commission on Restructuring the Internal Revenue Service, [*A Vision for a New IRS, Report of the National Commission on Restructuring the Internal Revenue Service*](#), June 25, 1997, page 8.

² *Supra*, page 9.

Chapter 3: Ensuring consistent obligations for people to enter and exit the tax system

Q8. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of identification and registration of taxpayers?

There may be benefit in automating a number of processes, for example, by making automatic registration for corporation tax part of the formation process. As HMRC will be aware, individuals generally form distinct companies when they create a new business so it would make better sense to register for corporation tax during the company formation process.

PAYE/CIS could also be an automated process the benefit of which should reduce the waiting time for HMRC to send out the reference numbers. Additionally, self-assessment should also be automated and the issue of deregistering people without their consent reviewed and reduced.

Chapter 4: Improving the way tax liabilities are calculated and assessed

Q10. What key issues relating to the way tax liability is established arise within the existing legislative provisions?

The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made. Certainty, rather than ambiguity, of a person's tax liability is vital. The tax rules should specify the amount of the payment, when the tax is due, and how payment is made. A tax system's rules must enable taxpayers to determine what is subject to tax (the tax base) and at what tax rate(s). Taxpayers should have the ability to determine their tax liabilities with reasonable certainty based on the nature of their transactions.

Certainty is important to a tax system because it helps to improve compliance with the rules and to increase respect for the system. Certainty generally comes from clear statutes as well as timely and understandable administrative guidance that is readily available to taxpayers. The principle of certainty is closely related to the principle of simplicity. The more complex the tax rules and system, the greater likelihood that the certainty principle is compromised. Consideration of taxpayer compliance costs is also critical. This principle is closely related to the principle of simplicity. The more complex a tax, the greater the costs of government administration and the greater the compliance costs for taxpayers to determine and report their tax liability.

Chapter 5: Using data and information to make tax compliance effortless for the majority

Q17. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of data and information?

The focus on data and information accumulation should be to ensure that the data and information helps promote compliance by taxpayers and assists HMRC in preventing non-

compliance. Poor or inaccurate data must also not hinder the taxpayer in calculating their tax liability correctly. To support this, HMRC must ensure that its guidance on using its systems is clear in order to reduce user error.

CIMA is encouraged by HMRC's making tax digital programme and has been a key stakeholder throughout the progress of MTD as a member of HMRC's Agent Support Group. Moving customers online will increase the efficiency of HMRC's processes, but consideration also needs to be given to those who are not digitally enabled to ensure the system remains accessible and fair.

Also, consideration of appropriate use of secure technology is important. Any improvements to the tax administration framework must protect taxpayer information from all forms of unintended and improper disclosure. This includes, but is not limited to, adequate "firewalls" for security of the tax agency's internal system, safeguards necessary to prevent degradation of the system via fraudulent claims resulting from identity theft, as well as sufficient controls to ensure that taxpayer information is only disclosed to the appropriate parties as permitted by law. A tax administration's responsibility for information security should extend to its employees, representatives, agents, and any contracted or affiliated party. This protection must extend throughout the period the information is held and must accommodate changes in technology and threats against the information. Failure to provide adequate security ultimately results in erosion of the principles of equity and fairness, effective tax administration, and appropriate government revenues.

Also, convenience of payment is important in helping to ensure compliance with the tax system. The more difficult a tax is to pay, the more likely that payment will not happen.

Chapter 6: Tax payments and repayments

Q20. What key issues do the current legislative provisions relating to payments present?

Direct Debits would be best - they work well for VAT but do not work as well for taxes like PAYE where users have set up a new DD for every payment. DD's would also prevent the regular questions of where to pay to and what reference to use.

Chapter 7: Building in effective methods of verification, sanctions and safeguards to promote compliance

Q25. What benefits of the current legislation should be preserved?

Current legislation must maintain provisions that not only provide HMRC with the powers to take action against those who commit fraud or misuse funds, but also to protect those who may have legitimate cause to challenge HMRC decisions.

CIMA will not provide comment on specific areas of the legislation that should be preserved but reiterates its view that the legislation must allow for fair, consistent and proportionate approaches.

When considering what areas of current legislation must be preserved, careful consideration should be given to wider non-tax legislation, such as human rights, GDPR and security. HMRC must also provide guidance to its users that explain the key legislative provisions in a clear and simple way. This is key to building a trusted tax administration system.

Q26. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform to support taxpayers to get their tax right and deter non-compliance?

As stated in Q.1, priorities around legislation must focus upon misuse of the tax system, in particular tax evasion.

Q27. What principles should govern HMRC powers, sanctions, and safeguards, to build trust in the tax system?

Please refer to the Association's 12 principles of a good tax policy.

Chapter 8: Further Suggestions

Q29. Are there any further suggestions that you have for how the Tax Administration Framework could be reformed?

HMRC periodically provides due dates and then changes them, for example, in the *Making Tax Digital* and *VAT Reverse Charge for Construction* areas. The date changes makes planning difficult; taxpayers need visibility of change and time to prepare.