

NEW CHALLENGES, NEW OPPORTUNITIES

Chris Sanger considers tax policy at the dawn of a new government

This is my first editorial since the world changed ... or at least the subset of the world that is UK tax policy. Following the creation of a coalition government, we experienced a short period of uncertainty as neither of the coalition members' manifestos could be relied upon as government policy. We then saw the publication of not one, but two Coalition Pacts (the second one expanding on the first). In many ways, these publications could be seen as mini Pre-Budget Reports, providing outlines on key tax changes that the Government wishes to pursue.

Some of the things on our wish list

So these are 'interesting times' and ones where we can be assured of significant change, with the downside of increased uncertainty and the upside of potential improvements. Looking across the detailed Pact, we can see some of our long-term 'asks' being offered: we are finally going to see 'a wholesale review of all small business taxation' and a review of the IR35 rules. There is, of course, a large gap between a review and an improvement, but a review is the first step and we welcome the Government looking again at the system. The Faculty has long argued that changes in this area should be considered in the context of the system as a whole rather than piecemeal and we will again host the debate and provide our perspective. Sceptics may wonder what has changed in the underlying problems but perhaps a fresh look and a disassociation from past decisions may give rise to greater options for reform?

Looking more widely, the Government has committed to the aim of creating 'the most competitive corporate tax regime in the G20' and we can hope to hear more of that in the Budget on 22 June. Indeed, being able to quote the date of the Budget this far in advance is a refreshing change, again delivering one of our long term 'asks'.



Chris Sanger

Some new perspectives

The Coalition Pact also provides some other interesting challenges to our accepted view of the UK. Not only will we now see the adoption of the Calman proposals for Scotland – including cutting income tax rates across all tax bands by 10 percentage points, reducing the grant to Scotland by the expected loss of tax revenue and providing Scotland with the ability to charge its own supplementary income tax rate – but we have the Government looking at the possibility of a reduced corporation tax rate for Northern Ireland. Both of these proposals may affect how the Government deals with tax policy for England and Wales.

Some new challenges

But change can cut both ways and, much as we can welcome some positive moves in terms of objectives, we need to maintain our focus on the challenges that the new world delivers. With the publication of the £6bn in spending cuts, we have seen £451m coming from the Chancellor's Departments which, after taking out the Child Trust Fund of £320m, still leaves £131m in immediate savings. The Chancellor has been quoted as identifying 'inefficient spending in the form of hundreds of helpline call centres and HMRC inquiry centres that are overstaffed and under worked compared with some private sector centres'. While many members have criticised HMRC call centres, this has been based on them not performing to satisfactory standards rather than being overstaffed. Reform in this area needs to focus on building improvements into any reorganisation, rather than just cost-cutting.

These cuts are clearly just the start of the journey and it is important that full consideration is given to the implications of the changes and that there is a clear plan to deliver positive results from them, not just

expenditure savings. The Faculty is closely linked into HMRC and will be strongly advocating a collaborative approach to maintaining and improving service standards, within the constraints of reduced expenditure.

Plus ça change, plus c'est la même chose

With so much policy once again open for discussion, there is a clear need for strong principles and well-thought-through design. Our Ten Tenets project is still delivering the strong base from which to review and critique policies and we continue to place this at the core of our engagement with government.

For some time, we have been asking for change and consultation. Now we have to make sure that we make the most of it. This must not become a 'be careful what you wish for' moment.

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