TRAFFIC LIGHT ASSESSMENT AUTUMN BUDGET 2017 AND FINANCE BILL 2017-18

ICAEW welcomes the opportunity to submit its comments on the Autumn Budget 2017 and Finance Bill 2017-18 to the Treasury Select Committee.

This response of 1 December 2017 has been prepared on behalf of ICAEW by the Tax Faculty. Internationally recognised as a source of expertise, the Faculty is a leading authority on taxation. It is responsible for making submissions to tax authorities on behalf of ICAEW and does this with support from over 130 volunteers, many of whom are well-known names in the tax world. Appendix 1 sets out the ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark proposals for changes to the tax system.

This submission supports the oral evidence given to the Committee by Frank Haskew, Head of the Tax Faculty, at the public hearing on 5 December 2017. We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

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TRAFFIC LIGHT ASSESSMENT

The Treasury committee has six principles for tax policy: that it should be **fair, support growth and competitiveness, certain** (i.e. legally clear, targeted and simple), **stable, practical,** and **coherent**. Pending review of the relevant detailed legislation, our initial assessment of how the Autumn Budget 2017's new tax policies match up to the principles is set out below and also our assessment of Finance Bill 2017-18.

Measure	Fair?	Supports growth?	Certain?	Stable?	Practical?	Coherent ?	OVERALL
Autumn Budget announcements							
Personal allowance/higher rate threshold	🟡	🟡	🟢	🟢	🟢	🟡	🟢
VAT threshold	🟡	🟡	🟢	🟢	🟢	🟡	🟡
Royalties withholding tax	🟢	🟡	🔴	🔴	🔴	🔴	🔴
Business rates	🟡	🟢	🟡	🟡	🟡	🟡	🟡
R&D expenditure credit	🟡	🟢	🟡	🟡	🟡	🟢	🟡
Patient capital review – knowledge-intensive companies and entrepreneurs' relief	🟢	🟢	🟡	🟡	🟢	🟢	🟢
Patient capital review – targeting of risk to capital	🟢	🟡	🟡	🟡	🟡	🟢	🟡
Freezing of indexation allowance for CT	🟡	🟡	🟢	🟢	🟢	🟢	🟢
Mileage rates for landlords	🟢	🟡	🟢	🟢	🟢	🟢	🟢
Marriage allowance	🟢	🟡	🟢	🟢	🟢	🟡	🟢
Company car benefit - diesel supplement	🔴	🟡	🟡	🔴	🟡	🟡	🟡

Extending scope of self-funded training	🟢	🟢	🟡	🟡	🟡	🟢	🟢
SDLT changes for first time buyers	🟡	🟡	🟡	🔴	🔴	🔴	🟡
Impact of measures on tax devolution	🟡	🟡	🟡	🟡	🔴	🔴	🟡
Off payroll working in the private sector and employment status	🟡	🔴	🔴	🔴	🟡	🟡	🔴
Abolition of Class 2 NIC postponed and maintain Class 4	🟢	🟡	🔴	🟡	🟡	🟢	🟡
Tackling fraud on online marketplaces	🟢	🟡	🔴	🔴	🔴	🟡	🟡
VAT fraud in labour provision in the construction sector	🟢	🟡	🟡	🔴	🟡	🟡	🟡
Tackling avoidance evasion and compliance	🟢	🟡	🟡	🔴	🟡	🟡	🟡
Tackling disguised remuneration	🟡	🟡	🔴	🔴	🔴	🟡	🟡
Late submission penalties	🟢	🟢	🟡	🟡	🟡	🟢	🟢

Key

🟢	Pass
🟡	Neutral
🔴	Fail

ABOUT ICAEW

ICAEW connects over 147,000 chartered accountants worldwide, providing a community of professionals with the power to build and sustain strong economies. Our profession is right at the heart of the decisions that will define the future, and we contribute by sharing our knowledge, insight and capabilities with others. That way, we can be sure that we are building robust, accountable and fair economies across the globe. Under our Royal Charter, our world-leading Tax Faculty works closely with HMRC up to a year ahead of every Budget to help strengthen and inform new tax law, in the public interest.

As noted above, these are our initial assessments of the measures announced in the Autumn Budget. These assessments may change once we have studied the proposed measures in more detail.

DETAILED COMMENTS

Overview

The Autumn Budget gave us the first indications of the government response to the Office of Tax Simplification review of the VAT regime and the Taylor review of modern working practices.

Many in business were relieved that there will be no immediate reduction to the VAT registration threshold although it will remain frozen at £85,000 for two years. It is clear that for many growing businesses, registering for VAT is unwelcome administrative hurdle as well as being a disincentive to grow. Addressing the distortions and barriers to growth caused by the threshold will be a challenge, and any changes should now come after Brexit and the introduction of Making Tax Digital for VAT.

The response to the Taylor review is a further consultation on options for reforming the employment status tests for both tax and employment rights. Although the Budget speech made no mention of any extension of the off-payroll working (IR35) rules introduced for the public sector in April 2017 to the private sector, there is to be a consultation. This uncertainty will be of concern to the many freelancers who currently work through personal service companies.

Many of the small, but important, measures including allowing landlords to use the fixed mileage rates and allowing claims to marriage allowance on behalf of deceased spouses are very welcome and reflect a chancellor who has listened to the concerns made by ICAEW and others about how small changes can help taxpayers at minimum cost to the exchequer.

We particularly welcome the announcement of a consultation on extending the scope of tax relief for self-funded training as this is an area which could provide a useful boost to productivity.

Welcome news for companies was the confirmation of the planned reduction of the rate of corporation tax to 17% from 2020, although freezing indexation relief in calculations of chargeable gains from 1 January 2018 will be costly to those with considerable investments in land. The increase in the rate of the R&D expenditure credit from 11% to 12% and the doubling of the limits for Enterprise Investment Scheme will help support innovative businesses.

After the Paradise papers, it was inevitable that the Budget would feature further measures to tackle tax evasion and avoidance. The devil will be in the detail and these measures will need careful consideration. The proposals to deduct withholding taxes from royalty payments from the UK to low tax jurisdictions where the payments relate to UK sales, and that to extend to 12 years the assessment time limit for non-deliberate offshore failure to comply, will also need careful review before they can be implemented.

Specific comments

Personal allowance/higher rate threshold

The chancellor confirmed the government's intention to increase the personal allowance to £12,500 by 2020. The personal allowance for 2018/19 will be £11,850.

The 20% basic rate band will increase to £34,500 for 2018/19. As a result, the higher rate threshold (ie, the personal allowance plus the basic rate band) which is £45,000 in 2017/18 will be £46,350 in 2018/19.

The intention to increase the higher rate tax threshold to £50,000 by 2020 was reconfirmed.

While we support these increases which are in the direction of travel announced previously, we are concerned about the complexity accompanying the changes. We have a 0% starting rate band of £5,000 for savings income (in certain circumstances), a £1,000 interest allowance, a £2,000 allowance for dividend income (from April 2018) and a personal allowance which tapers for income over £100,000. In addition, a lower higher rate threshold applies to earned income of Scottish taxpayers.

The increased complexity brought by having so many interacting allowances, exemptions and thresholds, makes it very difficult to taxpayers to calculate their own tax, and indeed HMRC's own computer system has struggled to give the correct answer in many cases, resulting in a large number of taxpayers not being able to submit their tax returns online this year. We would support a review and simplification of the personal tax computation.

VAT threshold

To the relief of many businesses there will be no immediate change to the VAT registration threshold, which will remain frozen at £85,000 until March 2020, while the government considers how to address distortions and barriers to growth caused by the threshold. In our view, this is in line with the principles for tax policy adopted by the committee and represents a pragmatic way to proceed while the problems caused by the VAT registration threshold are considered. We caution implementing too much change before the UK leaves the EU, while recognising that simplification is needed before Making Tax Digital is implemented if the latter is to be welcomed by business.

The threshold in the UK is set at a higher rate than in almost all other countries as a simplification measure to reduce the administrative burden for business. Any change which brings in more businesses needs to be considered in the light of this and would need to be accompanied by a significant simplification of the UK VAT system.

We look forward to continuing to work with the Office of Tax Simplification on tackling the

- administrative costs
- uncertainty for business when voluntarily disclosing inaccuracies
- multiplicity of rates and exemptions
- partial exemption regime and capital goods scheme
- online handling of options to tax.

We will also continue to work with HMRC as it develops Making Tax Digital for VAT.

Royalties withholding tax

With effect from April 2019, withholding tax will apply to royalty payments, and payments for certain other rights, made to low or no tax jurisdictions in connection with sales to UK customers. The rules will apply regardless of where the payer is located.

The tax on these royalties may in practice be challenging to collect. The forthcoming consultation may help to identify possible solutions, but at this stage we lack sufficient detail to be able to comment further.

The Budget score-card estimates that this will raise £285m in the first year, 2019/20, and £800m over the full four years to 2022/23.

Business rates

Business rates remain a major concern of business and the Chancellor announced further measures to provide help and support, including switching the inflation measure from RPI to CPI, the removal of the so-called staircase tax and a consultation on moving from five-yearly to three-yearly revaluations.

The government had previously pledged that by the end of this parliament 600,000 businesses will not pay business rates again and these changes are welcome.

The Red Book states that local government will be compensated for income lost as a result of these measures. These are all welcome changes.

Business rates remain a problem tax, based as they are on property values rather than profitability. They are a way of funding local government's needs and raise a substantial proportion of the UK's annual income, £30bn estimated for 2018-19. As business through internet sales begins to replace the high street, a longer term review of the sustainability of the current system is going to be needed.

R&D expenditure credit
The rate of the R&D expenditure credit (RDEC) will be increased from 11% to 12% and will help to support certain businesses. It will be particularly beneficial for larger companies as smaller companies have a different scheme.

The RDEC itself is taxable. The rate of corporation tax will fall from its current rate of 19% to 17% from 1 April 2020. The figures for the impact of this change appear to show an increase in cost in 2019 to 2020, but then remain steady. If the corporation tax rate falls in April 2020, the effective cost to the exchequer of the current RDEC increase will be considerably greater.

Patient capital review – knowledge-intensive companies and entrepreneurs' relief
At Autumn Statement 2016 the Chancellor announced the government's commitment to provide more support for UK infrastructure and innovation, as part of the government's Patient Capital Review. The Patient Capital Review considered how the tax system could incentivise more investment in knowledge-intensive companies and the Government has now published a summary of consultation responses that sets out the policy responses to the issues raised. In order to encourage knowledge-intensive companies, the annual investment limit for Enterprise Investment Scheme (EIS) allowance for investors will be doubled from £1m to £2m, provided that any amount over £1m is invested in one or more knowledge-intensive companies. The annual investment limit for such companies receiving funds through EIS and Venture Capital Trusts (VCTs) will also double to £10m. The proposals are designed to achieve a specific policy purpose and build on the existing rules, but we wait to see how know-ledge intensive will be defined with sufficient certainty and clarity to give investors the certainty they need.

We also welcome the consultation on the 5% threshold for entrepreneurs' relief which can act as a barrier for raising external capital. The proposed approach, namely a deemed disposal when the holding is diluted, might still result in an immediate tax charge on dilution unless there are further changes, but we expect that this will be properly considered as part of the forthcoming consultation.

Patient capital review – targeting of risk to capital
The venture capital schemes are aimed at encouraging high risk investments where funding might otherwise be difficult to obtain. We understand that there have been some venture capital investments where one of the main design features is capital preservation. Given that is not one of

policy aims of tax advantaged venture capital investments, it is reasonable to ensure that tax relief is properly targeted only at high risk investments. The proposals and manner in which relief will be restricted appear reasonable. While we appreciate that HMRC will shortly be publishing guidance, we are concerned about the proposed withdrawal of advance assurance in circumstances where it might be reasonable to conclude that the company appears to be carrying out capital preservations activities, as this might nevertheless discourage investing in these schemes generally. This aspect of the change should be kept under review.

Freezing of indexation allowance for corporation tax

Indexation relief used in calculations of chargeable gains by companies will be frozen from 1 January 2018. This relief was removed from individuals in 1998. The relief was used to remove the inflationary element of a chargeable gain from the charge to tax. Its loss will be felt most by companies holding large amounts of property on their balance sheets although not immediately.

Mileage allowance for landlords

Many landlords and indeed agents were surprised to know that the option of claiming a fixed rate expense deduction of 45p per mile for travel expenses has not been available until now. With effect from 6 April 2017, landlords will be able to use this shortcut method.

This is a welcome and sensible simplification measure.

Marriage allowance

The marriage allowance is available to couples where one is a non or low earner with an unused personal allowance and the other is a basic rate taxpayer. It allows up to 10% of the unused personal allowance to be transferred to the basic rate earning spouse or civil partner.

The uptake of marriage allowance continues to be poor with only about half of the four million eligible couples having claimed. An anomaly which prevented claims on behalf of deceased spouses and civil partners is to be removed with effect from 29 November 2017. Claims can be backdated for up to four years.

This is a welcome and fair change to the rules.

Company car benefit - diesel supplement

From 6 April 2018, the diesel supplement used to calculate the company car tax and car fuel benefit charge where an employer provides an employee with a diesel car available for private use, will be increased from 3% to 4%. This will apply to all diesel cars registered on and after 1 January 1998 that do not meet the Real Driving Emissions Step 2 (RDE2) standards.

This will mean that employees who have kept the same car will face a higher tax charge. This will be perceived as unfair by some employees but is in line with the increase in car benefit charges generally.

Extending scope of self-funded training

We have long campaigned for a review of tax relief for training. The current rules are out dated and unfair and inhibit productivity.

For example, a person wanting to pay for their own training to qualify as an electrician, will not receive any tax relief on employment or self-employment income for the cost of paying for that training. This could be a useful way to target funds to encourage people to train in areas where the UK suffers skills shortages.

SDLT changes for first time buyers

Stamp duty land tax (SDLT) changes for first time buyers were anticipated, but the extent of the abolition was surprising. The Chancellor's reasoning was so that it was not just those on the brink of buying their first property that would benefit.

Properties costing up to £300,000 will have no SDLT, a saving of up to £5,000. Properties costing up to £500,000 will be exempt from SDLT on the first £300,000. The new rules will apply to completions on or after 22 November 2017.

The SDLT changes are part of a whole package of announcements designed to increase the housing stock and give help to younger buyers. This particular change comes at a significant cost while the new supply of housing which is also being supported in this Budget will not be available for some years, so it will be interesting to see whether it achieves its objective or whether it merely increases house prices.

The boost for first time buyers is welcome but it is another bolt on to the taxation of property which has been compiled in bits and pieces over several years with no coherent policy running through it and we have long called for an overall review.

Impact of measures on tax devolution

Several of the changes in this Budget will not apply in Scotland and Wales. For example, SDLT was devolved to Scotland on 1 April 2015 and will be devolved to Wales on 1 April 2018. The reduced rate of tax will therefore not be relevant to those purchasing their first homes in Scotland, nor in Wales from next April.

The higher rate threshold for income tax in Scotland, at £43,000, was already £2,000 below the rest of the UK. Following this Budget, the difference will increase to £3,350 in 2018/19.

As more differences are legislated, tax simplification becomes more problematic. Employers near the Scottish border will already have people working for them who have different residence status such that people doing the same job will be taking home different net pay. We suggest that now might be the time to reflect on whether and to what extent the public will be able to understand this and whether in the interest of clarity, a simple list of the different taxes and benefits available in the different jurisdictions could be maintained on GOV.UK?

Off payroll working in the private sector and employment status

Many individuals provide services to their clients through an intermediary, often their own personal service company (PSC). This may be the choice of the individual, perhaps because it provides the protection of limited liability, or it may be at the insistence of the client. The company invoices the client and the individual collects remuneration from the company either as a salary or as a dividend. Where the contract for the work looks more akin to one of employment than self employment, the intermediaries legislation (commonly known as IR35) applies and employment levels of income tax and NIC (employees' and employers') must be deducted and paid to HMRC by the PSC.

It is not always easy to determine whether a contract is one of employment or self employment, but currently any risk of additional tax due where IR35 applies lies with the worker rather than the engager.

Several high profile cases highlighted some individuals who had been working for the public sector, who were being remunerated through their PSCs, so saving tax both for the individual and also employers' NIC for the public sector. In April 2017, new legislation was introduced to tackle alleged non-compliance with the intermediaries legislation in the public sector and as a result compliance responsibilities for complying with the intermediaries legislation has now passed to the client (the public sector body), or the intermediary nearest the personal service company where another entity such as an agency is involved.

It is still too soon to assess the impact this change has had, but we have received several reports of public sector bodies (PSB) which are now insisting that all contractors are paid through a payroll regardless of the facts of the contract, often a payroll run by an umbrella company rather than the PSB itself. The result is false employment as opposed to false self employment and so tax will be overpaid. This is causing contractors who can choose who they prefer to work for to refuse to work in the public sector. We are also aware of PSB using agencies to find workers, setting a fixed price for the job and through overcautious operation of IR35 by the agency, the worker ends up effectively bearing the cost of the employers' NIC.

The government is now going to consult on how to tackle non-compliance with the intermediaries legislation in the private sector.

IR35 is largely a problem created by the different amounts of tax paid by and for those who are taxed as employees and those who are self-employed. Matthew Taylor's report earlier this summer highlighted this difference along with the problems caused for employment law of having three status', employed, worker and self-employed. We now need a national debate about this rather than more tinkering with the tax system.

Abolition of Class 2 NIC postponed and maintain Class 4

For the self-employed, as announced earlier in November 2017, class 2 NIC will be abolished from April 2019 rather than April 2018 as previously planned. In the meantime the rate of class 2 increases to £2.95 per week from April 2018 (was £2.85) and the small profits threshold remains unchanged at £6,205 per annum. The lower and upper profits limits for class 4 NIC will increase from April 2018 to £8,424 (was £8,164) and £46,350 (was £45,000) respectively.

It remains the case that the starting point for paying NIC is much lower than the personal allowance for income tax. In addition, the muddle continues over the rates of NIC paid by employees and the self employed, and what benefits taxpayers receive by paying NIC.

Furthermore, Class 2 contributions earn the payer the right to a State pension and so are paid voluntarily by many taxpayers on very low incomes who are actually below the income threshold for having to pay them. If Class 2 is abolished, the only alternative will be for these people to pay Class 3 Voluntary contributions instead, but at £14.25 per week, these are considerably more expensive.

So while the pause in abolishing class 2 NIC is welcome, what is really needed is a national debate on the purpose of NIC and how the burden of the tax should be shared most equitably.

Tackling fraud on online marketplaces
The proposal to extend the scope of the existing joint and several liability rules and to require online marketplaces to ensure that valid VAT numbers are displayed on their website for their third party sellers are part of a package of measures to stop sellers through such market places who should be charging VAT, from avoiding their liability.

These steps are welcome and will help level the playing field between sellers who comply and those who do not. It may prove a difficult measure for the market places to implement and for HMRC to police. For example, it will not always be obvious whether a seller should be registered for VAT, nor that the market place has taken reasonable steps to check.

Tackling disguised remuneration
FB 2017-18 will include further legislation to tackle existing, and prevent future use of, disguised remuneration tax avoidance schemes. In summary, these are arrangements whereby instead of a person (A) being remunerated by way of employment income or, in the case of the self-employed, by way of payment for the provision of services, the payer makes a payment to a trust which then makes a 'loan' for the benefit of A. The government has been concerned for many years about these types of arrangements and, in addition to pursuing cases through the courts (for example the Rangers case), has taken a number of measures to tackle them, most recently in the Budget 2016 where a package of measures was announced including a new charge on loans made after 5 April 1999 through disguised remuneration schemes that remain outstanding on 5 April 2019.

Following consultation on draft legislation published on 13 September 2017, the government will legislate in FB 2017-18 to:

- introduce the close companies' gateway, to tackle disguised remuneration avoidance schemes used by close companies (ie companies with five or fewer participators) to remunerate their employees, and directors, who have a material interest. This change will have effect on and after 6 April 2017; and
- require all employees, and self-employed individuals, who have received a disguised remuneration loan to provide information to HMRC by 1 October 2019. This information will help HMRC ensure that the loan charge is complied with. This change will have effect on and after Royal Assent of FB 2017-18.

The government will also legislate in FB 2017-18 to:

- put beyond doubt, with effect from 22 November 2017, that Part 7A of Income Tax (Earnings and Pensions) Act 2003 applies regardless of whether contributions to disguised remuneration avoidance schemes should previously have been taxed as employment income. This change will have effect on and after 22 November 2017; and
- ensure the liabilities arising from the loan charge are collected from the appropriate person where the employer is located offshore. This change will have effect on and after Royal Assent of FB 2017-18.

Further detail on these changes and draft legislation were set out in a technical update published on Budget Day. The tax information and impact note issued as part of the technical update is also in Annex B on page 80 of the OOTLAR.

In principle we have supported the Government's aim to tackle these sorts of arrangements and ensure that tax is paid. Our concern is not with the principle of what the Government is seeking to achieve but the certainty, stability and practicality of the proposed approach. We have previously submitted detailed comments on these provisions as ICAEW Representation 113/17. In summary our concerns are that:

As regards the ‘close company gateway’, we are not convinced that this is the most appropriate tool to tackle the avoidance that HMRC has identified and believe consideration should be given to whether existing Transactions in Securities rules could be repurposed to tackle extraction of value from close companies.

As regards the information requirement above, again we understand the policy purpose but it is important given the potential application of penalties that this measure is applied fairly and proportionately. As we stated in one of our previous representations on the 2016 measures (ICAEW Representation 108/17)

> *Some people using DR schemes knew exactly what they were doing and were deliberately avoiding tax: they deserve little or no sympathy. In fact HMRC should have acted far sooner against these schemes. However, not all taxpayers are in this position. Unfortunately, many others were misled about the arrangements and would not have appreciated what they were doing: in their case, while their position needs to be regularised and tax paid, we think that they should not be so heavily penalised. Between these two extremes were employees and traders who were presented with the schemes by employers and agencies as a fait accompli and who, if they understood the explanations that they were given, if any, were, in practical terms, not given a choice if they wanted the work. Workers such as nurses, teachers, IT workers, cleaners, etc, were often paid earnings at around national minimum wage with the balance via loan arrangements. Such users may even have been uneasy about receiving loans rather than pay in return for their services but, in a similar manner to the victims of earlier pensions and payment protection insurance miss-selling, assumed that their employers or agencies who were putting them into the arrangements were acting within the law and accepted the advice that they were given. Those who had doubts may well have assumed that HMRC (or the former Inland Revenue) would step in to regularise the position before too long.*

These comments apply equally in respect of the information requirements. Some employees who were users of these schemes may not have all the required information, especially as the arrangements might have been entered into many years previously. In many cases employees will be part of a chain and unable to obtain it from others, for example, because the employer or the trust may no longer exist. There should be a duty on trustees to provide all the data required and suitable protection for employees who have used their best endeavours to obtain the information but have not been able to do so.

Late submission penalties

Following a consultation published by HMRC in March 2017, the government has decided to replace the current penalty system for late or missing tax returns with a new points-based approach. The details have yet to be announced, but if they follow the design suggested in the consultation, a taxpayer would receive a penalty point each time they failed to make a submission on time and would only be charged a penalty when their points total reached a particular number.

The points would be reset after a period of good compliance. Points would be accrued separately for different taxes.

We welcome this change as, in our experience, most taxpayers want to ‘get it right’. Where a taxpayer makes a genuine mistake, education and help are better remedies than charging a penalty.

Although these new rules are welcome, they are too late to help those taxpayers who have failed to file their current self assessment tax returns on line, and in spite of not owing any tax, are currently facing penalties of over £1,000. Not all taxpayers understand the rules for filing tax returns and what happens if they don’t. This unfairness needs to be addressed urgently.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.

2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.

3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.

4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.

5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.

6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.

7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.

8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.

9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.

10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see http://www.icaew.com/-/media/corporate/files/technical/tax/tax-news/taxguides/taxguide-0499.ashx).