



TACKLING CONSTRUCTION INDUSTRY SCHEME ABUSE

Issued 27 August 2020

ICAEW welcomes the opportunity to respond to the **Tackling Construction Industry Scheme Abuse** consultation published by HMRC on 19 March 2020

The consultation does not sufficiently differentiate between fraud and error. Some of the proposals in this consultation should be dropped because they will create industry-wide burdens disproportionate to the amount of revenue at stake. Instead HMRC should focus on a fully digitalised CIS like in Ireland. If implemented, the commencement date for both these CIS proposals and the VAT reverse charge should be the same. HMRC would benefit from restarting its CIS consultation forum.

This response of 27 August 2020 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System are summarised in Appendix 1.

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EXECUTIVE SUMMARY

1. The proposals in the condoc appear to create a disproportionate burden in contrast to the relatively small amount of revenue at stake and will affect many businesses. This approach is consistent with the additional burden and complexity of the VAT reverse charge on the same businesses in the construction industry (see our consultation response [ICAEW REP 69/17](#)). The proposals conflict with several of our *Ten Tenets for a Better Tax System* by which we benchmark the tax system and changes to it (see Appendix 1) especially Tenet 3: Simple and 4: Easy to collect. We therefore recommend that these proposals be dropped.
2. The problem of incorrect deductions being claimed on an EPS could be simply dealt with by improved HMRC IT systems. This is at the other end of the scale from dealing with fraud
3. The proposed date of any changes is April 2021. This makes the new date of 1 March 2021 for the VAT reverse charge seem badly thought out. If both sets of complexities are introduced, we recommend a common starting date to avoid a two stage change and further confusion.
4. We appreciate that the operation of the construction industry scheme (CIS) by some needs to be improved. Government needs therefore seriously to consider the benefits of 100% digitalization of CIS. As proven in Ireland, where the Revenue Online Service IT system is well designed and robust, the long term benefits outweigh the administrative costs, and currently the jobs created would help revitalise the economy. We commented on HMRC's proposals for digital improvement in [TAX REP 49/14 \(ICAEW REP 120/14\)](#). The success of HMRC's online coronavirus IT demonstrates that HMRC is able to rise to an IT challenge (although its success may have been helped by the coronavirus IT not being tied to legacy systems).
5. We question whether cash usage is actually as much as HMRC seems to think. An IPSOS Mori poll in 2010 indicated that the percentage of cash transactions and the numbers of subcontractors who are paid in cash were both in single figures.
6. The proposals appear part of a trend by HMRC and Government to tackle specific problems without considering the bigger picture. Why are we having an off-payrolling scheme for contractors separate from the CIS scheme both of which involve reviews of employment status? Shouldn't both be considered together? Will any change have a limited life-span in view of the Chancellor's comments on the potential changes to the taxation of the self employed in the light of the coronavirus pandemic?
7. We recommend that HMRC restarts its consultation forum (formerly known as CIS Operational Forum). The experience and corporate memory of external representatives would improve HMRC's knowledge.

GENERAL COMMENTS

8. HMRC should re-establish a structured dialogue with the industry, its advisers and representatives. It was the lack of such dialogue that led to the Inland Revenue's disastrous revision of CIS in 1999, and because of subsequent dialogue, and the Inland Revenue heeding advice given, the launch of the current Scheme did not suffer the same problems. We therefore recommend the re-launch of a CIS forum, as a sub-group of HMRC's Employment Payroll Group.
9. The purpose of the consultation is to prevent tax loss arising from the Scheme. To complement the steps taken in extending the VAT reverse charge rules to construction contracts, additional powers are being sought by HMRC under CIS that will affect all businesses involved in non-domestic construction activities.
10. It is regrettable that the consultation document indicates the intention to impose financial penalties and enormous bureaucratic burdens on businesses within the industry. The target sums stated in the Impact Assessment are disproportionate to the measures being proposed

and represent less than half of one percent of funds gathered in by the Scheme. The fraudulent activity identified could be curtailed using powers already available to HMRC, by an increase in appropriately trained HMRC staff, by HMRC both upgrading its software and providing software developers with appropriate IT specifications, and by an extension of the Scheme's regulations that would have no effect on the vast majority of compliant construction businesses.

11. We recommend that HMRC adopts the Irish solution, where Revenue Ireland has through its robust Revenue Online Service successfully 100% digitalised its CIS (and indeed, this is referred to in para 5.13). We responded to HMRC's 2014 consultation on options to improve the operation of CIS and on the introduction of mandatory on-line CIS filing for contractors but at the present time the contrast between the UK and Irish experience is stark.
12. It is also regrettable that HMRC disbanded its CIS Operational Forum. This consultation group followed on from the Construction Industry Review Implementation Panel, convened originally before the current Scheme was launched. The representatives of this Forum, from professional bodies and industry, gave their time without cost to advise HMRC on any ongoing problems with the Scheme and to comment on proposals for amendment. The collective knowledge of the members of that Forum would have been of assistance in framing this consultation into a more coherent and sensible document.
13. We question the veracity of paragraph 2.1. To state that "many subcontractors (are) paid in cash" is parroting the original justification for the Scheme that dates back decades. In 2010, in a report commissioned by HMRC, Ipsos MORI found that 7% of contractors made cash payments to subcontractors, with 4% of subcontractors reporting receipts by that method (there are many more subcontractors than contractors).
14. That proportion can only have decreased in the years since. This strikes at the heart of the *raison d'être* for CIS. It is now merely an acceleration of tax revenue. CIS should not raise tax for the Exchequer, except it does in that millions of pounds in deductions go unclaimed each year by subcontractors. It is a Scheme that is particular to one industry and is a massive cost and time imposition that HMRC is seeking to extend with insufficient grounds.

SPECIFIC COMMENTS

15. The consultation document seeks amend CIS in the following areas:
 - Incorrect claims of CIS deductions by employers (Chapter 3 of condoc)
 - Avoidance of CIS registration by potentially deemed contractors (Paras 4.1-4.10)
 - Clarification of materials as applied to tax deduction (Paras 4.11-4.12)
 - Granting gross payment status to businesses made with false registrations (Paras 4.13-4.14)
 - Extending the Scheme to include documentation and reporting, of checks and registration of subcontractors engaged at all levels of contracts and applying site numbers to those contracts (supply chains) (Paras 5.1-16)
 - Claiming tax losses from all parties in a supply chain where fraud occurs (Paras 5.17-5.19)
16. We comment on each of these below.

INCORRECT CLAIMS OF CIS DEDUCTIONS

17. Paragraph 3.2 states that some employers, not engaged in construction, claim CIS deductions to offset their liabilities. How, then, can further regulation of the construction industry prevent that happening?
18. That same paragraph states that some non-corporate employers (incorrectly or fraudulently) claim in-year offsets of CIS deductions against their liabilities. We believe that this could simply be fixed with an IT solution. HMRC should know whether the PAYE scheme is for a corporate. If it is not, then any EPS claiming the deduction should be rejected as incorrect.

This is just another example of HMRC not fully specifying how IT systems should work both for the taxpayer and the interaction with HMRC systems.

19. Additionally, an IT solution should be developed to link the EPS that contains a claim to offset CIS deductions to the CIS300 containing the deductions. These two reports are normally submitted within 31 days of one another, and if they were promptly reviewed the EPS could automatically be corrected thereby decreasing the scope for false CIS deduction claims (Chapter 3 of condoc).
20. HMRC should consider the Irish system. Revenue Ireland (RI) has made a huge investment in IT. Its CIS has been 100% digital through the Revenue Online Service (ROS) since 2012, combining mandatory online filing with online access. Thus, for example, payments by contractors to sub-contractors can only be made via a digital portal and a contractor wanting to pay a subcontractor can check on ROS whether the subcontractor can be paid gross. Such a system would facilitate the checking of CIS deductions. The contrast between the Irish experience and the UK's is stark.
21. By extension of CIS, HMRC seeks further powers to prevent what it regards as fraud. Its intention is to adjust EPS returns where a subcontractor claims a higher figure than HMRC considers to be correct – presumably by reference to the corresponding declaration of deduction by contractors. But this assumes that the contractors' figures are correct. By not declaring deductions made, and postponing payments (or avoiding them altogether), the contractor gains an advantage – but HMRC seeks to penalise the subcontractor by a restriction of cash flow for what might be almost a whole year. The new power will not solve this problem.
22. HMRC recognises in paragraph 3.21 that in some instances, the contractor may be at fault, but there is no detail given as to how the contractor should be “pursued”.
23. The issue of EPS and CIS discrepancy can be resolved, by the subcontractor providing evidence of the deduction (or how the deduction was calculated). Yet HMRC wishes to impose the cash-flow restriction until such time as it is satisfied that the subcontractor's claim was correct. This could penalise the innocent for a considerable period of time given HMRC's normal turnaround times.
24. Despite promises made in the recent past – eg, HMRC's consultation in 2014 *Improving the operation of CIS* to which we replied in [TAX REP 49/14 \(ICAEW REP 120/14\)](#) – HMRC has not established an online account system where subcontractors can refer to deductions made. Originally, this was turned down on legal grounds (later overturned), but later appears simply to have been abandoned

AVOIDANCE OF CIS REGISTRATION

25. The rules on deemed contractors are, as stated in paragraph 4.6, complex. They are at least established, so there needs to be a good reason for changing them. There is no quantification of the impact on the Exchequer of the manipulation of payments and alteration of accounting dates. The proposals seem to stem from a mere dislike of actions taken, that have an immaterial effect.
26. Furthermore, the threshold for construction operations has not changed from £1m since the current CIS began in 2007. Updating this figure would eliminate a lot of the alleged “abuse” as fewer businesses would be above the threshold. If updated by RPI from May 2007 to May 2020, ie, 292.2/206.2, the threshold today would be around £1.4m.
27. The proposed new rules will be even more complex and cliff edged than the existing rules and, if they require contractors to start making deductions mid-contract, are likely to result in legal disputes from sub-contractors for wrongful deduction.
28. To help alleviate the cliff edge effect of the CIS registration threshold, we suggest that the rules for determining whether a contractor has to register for CIS incorporate a feature of the VAT registration rules. As explained in HMRC's [guidance on when to register for VAT](#), if a trader's turnover exceeds the registration threshold for a short time and then falls back to

below the threshold and the trader does not anticipate turnover exceeding the deregistration threshold for the next 12 months, and the trader applies to HMRC for an exception, HMRC can exercise its discretion to excuse the trader from having to register for VAT for the period during which the trader's turnover exceeded the registration threshold.

MATERIALS

29. The proposals in paras 4.11-4.12 are not realistic. Consider the following example, assume a chain of contractors A to E. Contractor E buys the materials. Under the new rules, only E would be able to take account of the cost of these materials. However, in real life, E buys the materials and D reimburses E, C reimburses D and so on up the chain until the ultimate client A bears the cost by reimbursing B. If the cost of materials could not be taken into account, E would not get paid for the materials it has bought.
30. We hope this demonstrates that the proposed change to the rules to remove the ability to take account of the cost of materials when paying down the chain would not only reduce cash flow for contractors who do not hold gross payment status but also result in there being insufficient cash to pay sub-contractors the amounts that they are owed for materials.
31. We therefore recommend that this proposal is withdrawn.

FALSE REGISTRATIONS

32. The matter of false registration refers to, essentially, nominees acting for people with a record of fraudulent activity – or their agents. There is plenty of legislation which can be brought to bear in respect of the latter.
33. If this proposal is to prevent gross payment status (GPS) being granted to a trading entity, which then comes under the control of someone with fraudulent intent, why is it not the responsibility of HMRC to check the ownership and control of that entity (direct or associated) upon application, and quarterly throughout its trading life? There are many ways in which a business may lose GPS; to avoid this, safeguards and sound procedures must be put in place. Similarly, there are many criteria to meet for GPS to be granted. If GPS is considered to be a valuable privilege (enjoyed by all other business bar construction) then HMRC must play its part in the monitoring of those businesses and not confine itself to mere tax compliance.
34. No details are given of the penalty system proposed; HMRC needs to clarify whether this is the standard £3,000 or if something harsher is being considered.
35. Penalties should be applied only where the person has knowingly or deliberately provided false information.

SUPPLY CHAINS AND CLAIMING TAX LOST

36. Paragraph 5.8 claims that fraud arising from CIS has a considerable negative impact on the economy, but if the collective impact of all of the measures proposed will only save at best £20m per year, this can scarcely be thought of as considerable – not even within the construction sector, far less the economy as a whole.
37. The proposals fail to appreciate the enormity of work involved in the investigation of subcontractors, their subcontractors and so on. Paragraph 5.16 gives a long list of checks to undertake and suggests that information should be reported to HMRC whenever a new project commences or even quarterly for all active projects. The paragraph concludes with a list of potential penalties applicable to businesses and individuals.
38. HMRC must understand that it is not the responsibility of construction businesses to act like private investigators. Furthermore, in respect of subcontractors not based in the UK, the information listed would be very difficult or nearly impossible to obtain. Indeed, the burden of work and fear of recrimination may lead to an increase in the use of overseas subcontractors, a consequential loss in revenue to the UK Exchequer, and quite possibly an increase in fraud.

39. Paragraph 5.17 cites a situation where HMRC has identified a business engaged in fraud. Why is action not taken at that point by HMRC if the evidence exists? Is it easier for HMRC to demand tax losses from businesses that may have no direct connection with the fraudster, than it is to take action to recover tax lost? It is not axiomatic that the engager of such a business is by definition complicit in the fraud undertaken by its subcontractor.
40. The intention of identifying a “main contractor” will in many cases lead back to a large, listed construction business. Should one or more of those businesses decide that it will refuse to administer CIS, smaller businesses will follow suit and the whole Scheme will grind to a halt. HMRC cannot penalise all of them, and there is a precedent for this; in their 2012/13 Annual Report, £220m of uncollected CIS penalties were written off.
41. Again, to combat this fraud HMRC should look at Ireland for an example of a successful CIS.

ANSWERS TO CONSULTATION QUESTIONS

42. In all cases please refer also to our comments above under Specific Comments.

Chapter 3: Correcting the CIS deductions claimed on an EPS

Preventing later claims for CIS deductions where HMRC has corrected the CIS credit

Q1: Are there other circumstances where HMRC should allow an employer to claim CIS set-offs later in a tax year following HMRC correction of an EPS return?

43. The question is incorrectly phrased in that it assumes the proposed action is fair. To penalise a business in such a fashion for one error is excessive and unjust. Furthermore, it takes no account of how or why the reason or reasons occurred.
44. To quote from the case of *PDF Electrical Ltd v HMRC* (2012) UKFTT 708 (TC), where HMRC argued unsuccessfully over the application of CIS Regulation 9, “The standard required by Regulation 9...does not require that mistakes must never be made.”
45. HMRC should reconsider their proposals, to allow for more than one mistake in a tax year, also to allow for a reasonable excuse for the first mistake or recurring mistakes.
46. The proposed action also fails to take into account the instance where the contractor does not declare the deduction of tax in a monthly return, despite having made that deduction from the subcontractor. This would show as an error by the subcontractor who has acted correctly.

Interest and penalties

Q2: Do you have any comments on the interest and penalty consequences of HMRC making these corrections to an EPS return?

47. HMRC should justify why it considers that penalties need to be applied. There should be a de minimis limit on the interest charge, to allow for minor errors. Penalties should only apply to persistent offenders. We suggest that the same system be used as for late paid PAYE (see Sch 56, Finance Act 2009), under which the first mistake does not give rise to a penalty but the employer is sent a warning letter, and penalties arise only for second and subsequent late payments.

Evidence of CIS deductions suffered

Q3: Are there other sources of evidence HMRC should accept as proof that a CIS deduction on account of tax has been made?

48. It is the responsibility of HMRC to ensure that contractors issue deduction statements to subcontractors. In the absence of such a statement, it seems fair for HMRC to request a copy of the invoice and proof of the subsequent receipt that gave rise to the claim of deduction of tax from the subcontractor.

49. However, it should also be understood by HMRC that at times the subcontractor must estimate the tax deducted. For example, if a subcontractor invoices (or applies for) £10,000 from the contractor, and without issuing any documentation the contractor pays £6,000 into the subcontractor's bank account, the subcontractor (in the absence of any explanation from the contractor) must try to calculate the gross sum authorised, the material element if any, the retention percentage applied and then the tax deducted to arrive at the net sum received.
50. Where the contractor is uncooperative, the subcontractor is entitled to make a claim in good faith but may be penalised harshly if that estimated tax figure is greater than that declared (if any).
51. If CIS payment had to be made via an on-line portal they could be more easily linked to deductions claimed. HMRC would quickly be informed of cases where tax had been deducted but not paid over.

Q4: Do you have any comments on HMRC being able to disregard certain evidence in deciding to use the correction power?

52. HMRC needs to explain how this collusion would work in practice. If a contractor issues a PDS to a subcontractor that accords with the return and payment made to HMRC, then there is no effect arising from such collusion.

Timing for providing evidence of deductions and employer correction

Q5: Is 14 days the right amount of time for the employer to provide evidence of CIS deductions suffered?

Q6: Is 14 days the right amount of time for the employer to correct the return?

Q7: If not, what timescale do you suggest?

53. 14 days is too short. In any 14 days there are at least two weekends, leaving ten working days. Royal Mail according to its [website](#) aims to deliver second class post in two to three working days; thus up to six of those ten working days can be lost in the post. 14 days would leave only four working days for a busy employer to reprioritise dealing with HMRC's query over running his business, consider what HMRC is asking for, collate the information and write and post a reply.
54. Added to this, the delays in HMRC issuing post are endemic. Many taxpayers have received in June notices dated 6 April to submit tax returns. HMRC have lost several cases because they have been unable to prove when or even that correspondence was sent, far less received. We also know that HMRC's outgoing post process involves third parties collecting post from HMRC in batches to enable HMRC to manage contact centre calls and minimise postal costs. Therefore, a time limit of 14 days cannot in practical terms begin from the date of the letter. If employers were to be given 14 days to reply, such notices to provide evidence would have to be sent by recorded, guaranteed next-day delivery.
55. If HMRC's outgoing post were delivered to Royal Mail on the date stated on the letter or even the day after, then, assuming that HMRC has addressed the letter to the correct address for the employer and the address where CIS matters are administered, 30 days from the date of the letter is reasonable.

Taxpayer safeguards

Q8: Does this review and appeal process provide adequate protection for sub-contractors making errors?

Q9: Should other safeguards be considered in relation to these powers? If so, what should those safeguards be?

Q10: Are there other options to disallow CIS deductions claimed on an EPS return that are not supported by satisfactory evidence?

56. The proposals here are unacceptable. In cases where gross payment status is being contested, a contractor will retain that status throughout the appeal procedure. HMRC should be consistent. A subcontractor should not be presumed guilty and penalised immediately

simply because one figure does not agree with another. The desired haste to recoup money cannot be allowed to take priority over the rights of appeal of a business. HMRC must accept that the appeal process is not perfect and often requires time to achieve the right result.

57. It is desirable to identify the persistent offenders in this process – please see our answer to Q2.

Chapter 4: Other legislative changes

Q11: Do you have other ideas that could protect the CIS from abuse?

58. For our comments on deemed contractors, materials and false registration penalties please see under the appropriate section within our Specific Comments above.
59. Those submitting false claims should be liable personally to penalties.
60. Penalties should be applied only where the person knowingly or deliberately submitted false information.
61. Such issues are best raised in a formal meeting structure. We recommend the reinstatement and regular convening of HMRC's CIS Operational Forum, which as formerly constituted contained external representatives with knowledge and experience of CIS and the construction industry.

Chapter 5: Early consultation on supply chain proposals

Supply chain measures

Q12: Do you consider supply chain measures to be an appropriate response to this fraud?

62. The final phrase in paragraph 5.8 "considerable negative impact" needs to be evidenced. It would be yet another imposition on one single industry for it to have to undertake more unpaid work as a substitute for HMRC resources or effort. Based on the statements made, supply chain measures are not appropriate.

Due diligence

Q13: What due diligence checks do you currently undertake on your sub-contractors/suppliers?

Q14: When do you undertake these and why?

Q15: Would you consider undertaking such checks further down your supply chain? If not, why not?

Q16: What action would you take if you were not satisfied following your due diligence checks?

63. We consider that a voluntary system is best: indeed, members report that contractors normally require subcontractors to agree to follow their standards. This means that deviations are a matter for the contractor and subcontractor to resolve and there is no need for HMRC to get involved.

Site registration

Q17: Could a site registration system work in the UK?

64. From paragraph 5.14, it is not the job of HMRC to suggest improvements in health & safety procedures or contract obligations to any industry.
65. The proposal of site registration would be incredibly burdensome. Errors would inevitably occur and the proposal makes no mention of how HMRC would deal with this, other than treating it as fraud.

66. We note that HMRC cites the Irish version of CIS as a source of good ideas. Since 2012, Revenue Ireland has had a system in place which enables subcontractors to access details online of tax deductions made in their name. Such a system would have benefits, and would address some of the other problems mentioned in the consultation document, in terms of inconsistency of declarations and claims of tax deduction.
67. HMRC promised in 2015 that a similar system would be established in the UK, but this has never happened. HMRC should now put such a system in place.

Reporting supply chains

Q18: How much detail is needed for these reports to be effective?

Q19: What burdens would such a process place on contractors?

Q20: How could these burdens be mitigated?

68. These proposals do not fit into how the construction industry operates in practice. Work throughout a contract can vary, in the first instance, between employed workers and subcontractors. Subcontractors can be substituted in the process of a contract. Paragraph 5.16 mentions “suppliers” – is it proposed that contractors should investigate suppliers of materials as well as subcontractors?
69. How does HMRC propose that contractors investigate the ownership of foreign companies?
70. The burdens of this proposal are immense and impractical. They should not be implemented without further consultation

Securing losses due to fraud in the supply chain

Q21: Would these two measures encourage better supply chain due diligence processes?

Q22: Do any of these supply chain proposals merit further consideration?

Q23: Do you have other ideas that could help combat fraud in construction supply chains?

71. HMRC already has the power to revoke the gross payment status (GPS) of a contractor. Where this entity acts as a subcontractor, we should welcome clarification of why there is a need to involve the contractor above it. HMRC was advised several years ago by industry representatives that granting GPS to agencies was risky; this advice was ignored.
72. If HMRC is aware of fraudulent activity, it is that entity that should be dealt with – by HMRC. It has nothing to do with the contractor paying it in accordance with CIS validation procedures. The proposal to penalise a contractor for tax losses caused by another entity is unacceptable.
73. To protect against loss of tax HMRC can revoke the CIS registration of an offending business. By doing so, and advising past engagers of this, the 30% rate would apply.

Chapter 6: Assessment of impacts

Q24: What impact will the changes have on your business?

Q25: Are there any specific impacts on small and micro businesses that are not covered in the impact assessment? If so, please provide details of the anticipated one-off and on-going costs and burdens.

Q26: Do you think these proposals will have any impacts on sub-contractors not already covered? If so, please provide details.

74. The impact on the construction industry, in cost terms, would be greatly in excess of the relatively small sums given in the Impact Assessment.
75. The VAT element of fraud in construction has already been addressed by the reverse charge proposals, which are yet to be enacted and their impact assessed (see our consultation response [ICAEW REP 69/17](#)). If the fraud within CIS arises from businesses being paid

gross, but not paying over tax that they deduct, then HMRC already has sufficient power over whether to grant such businesses GPS to begin with, and to revoke it.

76. The impact on the exchequer of a business decelerating its tax payments within a tax year is negligible. Had more effort been made at government level to ensure that contractors pay subcontractors on time, then some of the businesses identified would not have had to resort to such desperate measures to keep trading.

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 <https://goo.gl/x6UjJ5>).