

## Government response to the Tax Professionals' Forum fourth independent annual report

The government welcomes the Tax Professionals' Forum's fourth independent annual report, which covers the period 1 January 2014 to 30 March 2015. This note sets out the government's response to the main points made in the report.

The report identifies four main lessons from the period under consideration.

### Lesson 1: Deliver on promises, or provide explanations where not delivered.

The report notes that the government committed to implementing additional safeguards following a consultation on "Direct Recovery of Debts" in December 2014, but expresses concern that the commitment to a face-to-face meeting between HMRC and the taxpayer was not included in Schedule 8 of Finance (No. 2) Act 2015. This was not included in the legislation simply because it is not necessary to legislate for every aspect of the policy. The government's response to the consultation (published on 21 November 2014) was clear that this safeguard had been introduced in response to feedback from stakeholder groups, including the tax agent community. The Financial Secretary to the Treasury reaffirmed this commitment in front of the Public Bill Committee on 15 October 2015:

*"...the Government have listened carefully to the concerns that have been raised, including by those representing vulnerable members of the public and by respected members of the tax agent community. In response to their feedback, the Government have committed that every person whose debts are considered for direct recovery will receive a guaranteed visit from an HMRC officer. This will be an opportunity for debtors to have a face-to-face conversation about their debt, confirm beyond any reasonable doubt their identity and give them another opportunity to pay."*

The government is grateful for all of the input the tax agent community has provided on this matter, and remains fully committed to implementing all of the safeguards which have been announced, including face-to-face meetings.

### Lesson 2: Do not rush through legislation in a pre-election Finance Bill

The government acknowledges that the pre-election Finance Bill received less scrutiny due to the compressed timetable at the end of the Parliament, and that this meant that there was limited opportunity to comment on some of the main provisions in the bill. However, while the government agrees that complex legislation should be avoided in such circumstances where possible, this will always have to be balanced with the need to make progress on delivering legislative priorities such as the Diverted Profits Tax. The government made an active decision to postpone around 50 pages of Finance Bill legislation until after the election in

order to reduce the size of the pre-election bill, and will consider the lessons from the 2015 exercise for the future.

### Lesson 3: Clearly define the Office of Tax Simplification (OTS) in the consultation and policy development process

The government agrees that the OTS should have a more clearly defined role, and will establish the OTS on a permanent statutory footing in Finance Bill 2016. Draft legislation has been published for consultation, setting out the role of the OTS, requiring the OTS to publish an annual report, and requiring the government to formally respond to OTS recommendations. However, it is also important that the OTS maintains its independence from government, and remains separate from internal policy formulation.

### Lesson 4: Integrate international reform into the UK's consultation framework

The government agrees that the commitment to consult should apply to international as well as domestic tax reforms, to the extent that this is practically possible. The government put in place an extensive stakeholder engagement programme on the OECD's "Base Erosion and Profit Shifting" (BEPS) process, which included a number of stakeholder events in May and November 2013 and April and October 2014; regular formal and informal discussions with stakeholders throughout the OECD BEPS process; publication of a formal position paper at Budget 2014 setting out UK priorities for the BEPS project; and subsequent formal consultation on specific OECD recommendations, such as rules for addressing hybrid mismatches in December 2014 and interest deductibility in October 2015. The government will consider what more can be done to consult with stakeholders in developing tax rules through international negotiations.

The report also provides updates on previous recommendations, and comments on a number of specific examples of policy development over the period. The government is grateful to the Forum for their constructive comments, and will take these into account in taking forward future tax changes.