



Chartered
Institute of
Taxation
Excellence in Taxation



INSTITUTE
FOR
GOVERNMENT

Tuesday 30th July 2019

Dear Chancellor,

Congratulations on your appointment.

You now have the opportunity to take a new approach to making tax policy. The UK needs a tax system formed through a considered strategy which reduces the burdens of compliance on business and can become a source of competitive advantage for the UK.

There is a rare opportunity now to make these changes. Many businesses are looking to work closely with the Government over Brexit. They are concerned about increases in compliance costs from the customs regime after Brexit, as well as the new system of compulsory digital quarterly reporting for VAT.

Your predecessor – by choosing to hold just a single fiscal event each year – took one step towards tackling the confusion and burden on businesses and individuals created by the proliferation of tax measures over the previous two decades. We strongly encouraged this step, which brought the UK into line with near universal international practice. This move has been accompanied by a welcome reduction in the number of new tax-related measures and the length of Finance Acts.¹

But more can be done, as we set out in our Better Budgets report.² This includes consulting on tax policies at an earlier stage in policy development and professionalising tax policy-making in the Treasury.

We therefore ask you to:

- Confirm that there will be **no going back to the bad old days of multiple fiscal events** each year. Reducing the frequency of changes of direction can release resources for consultation, production of higher quality legislation and more effective implementation. It makes life simpler for taxpayers and can make measures more effective.

¹ The 2018 Finance Act was just 196 pages and the 2019 Act 337 pages, compared to an average of over 600 pages each year between 2012 and 2017. The number of tax-related measures on the scorecard each year has also fallen: from over 60 per year between 2012 and 2016, to 51 in 2017 and just 34 in 2018 (the first year in which there was a single fiscal event).

² *Better Budgets: making tax policy better*, 2017, <https://www.instituteforgovernment.org.uk/publications/better-budgets-making-tax-policy-better>.

- **Take a strategic approach to tax policy**, setting out the principles and objectives you intend to follow over a period of years, as was done in the successful 2010 corporate tax roadmap. This approach could usefully be applied to the tax treatment of savings and pensions and the need to address the risks to revenue from the increase in self-employment and tax-motivated incorporation (where the last Chancellor failed to proceed with a minor change towards levelling the playing field between employment and self-employment). We would also encourage you to consider external reviews to help open up the debate to prepare the public better for change.
- **Consult earlier** with a wide group of stakeholders and ensure that implementation is considered before decisions are set in stone. Too many consultations have begun when key decisions have already been made, shutting off potentially better options. There has been a welcome increase in the number of 'calls for evidence' on tax matters in the last couple of years but there is room to go further.
- **Carry out more systematic evaluation of tax measures**, including tax reliefs. There needs to be effective, routine post-legislative review of whether tax measures are achieving their objectives at acceptable cost. Public spending programmes are regularly subjected to tests of their value for money; tax reliefs should be held to the same standards. As the Office for Budget Responsibility pointed out in its Fiscal Risks Report earlier this month, the UK spends a large amount on tax expenditures compared to other advanced economies and compares poorly in its failure to scrutinise the costs of most of these.

We attach a copy of the full Better Budgets paper.

We would be very happy to meet you to discuss these opportunities for reform further.

Yours sincerely,



John Cullinane
Tax Policy Director, CIOT



Paul Johnson
Director, IFS



Bronwen Maddox
Director, IfG