

Economic Affairs Committee

Finance Bill Sub-Committee

Corrected oral evidence: Draft Finance Bill 2021-22

Thursday 28 October 2021

11.15 am

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Members present: Lord Bridges of Headley (The Chair); Lord Butler of Brockwell; Baroness Harding of Winscombe; Baroness Kramer; Lord Monks; Baroness Noakes.

Evidence Session No. 5

Virtual Proceeding

Questions 58 - 81

Witnesses

I: Helen Page, Deputy Director, Tax Administration Law and Policy, HMRC; Christopher Thomas, Deputy Director, Large Business, HMRC; Bridget Micklem, Deputy Director, Business Profits, HMRC; Thomas Brown, Senior Policy Adviser, HMRC.

Examination of witnesses

Helen Page, Christopher Thomas, Bridget Micklem and Thomas Brown.

Q58 **The Chair:** Welcome to this meeting of the Finance Bill Sub-Committee. Thank you very much for joining us. Could you introduce yourselves one by one, starting on my left?

Helen Page: Good morning. I am a deputy director in HMRC's tax administration directorate.

Christopher Thomas: Good morning. I am an assistant director in HMRC's large business directorate.

Bridget Micklem: Hello from me. I am the deputy director for business profits in HMRC, the team working on basis periods.

Thomas Brown: Good morning. I am a senior policy adviser on the business profits team, also working on basis period reform.

Q59 **The Chair:** Very good. Thank you all very much for joining us. It is a busy time for you all, so we are grateful to you for sparing the time.

I will start off on basis period reform. I would like to read you what the Law Society of England and Wales has said about this. It said, "We are not convinced the case has yet been made for this reform. If it proceeds, there should be a coherent plan addressing the various interlocking initiatives of relevance to these proposals".

Can you explain to us, in a nutshell, the rationale for this and how it will make our tax system simpler? Finally, how important is it that this reform is implemented to make Making Tax Digital work?

Bridget Micklem: Let us start with why it is a simplification. It is a simplification because it will remove the complex basis period rules, which make it very difficult for small businesses to understand how their income tax is calculated. That creates disproportionately high tax burdens for new businesses and leads to many thousands of errors a year. You will have heard from lots of experienced tax professionals and sophisticated businesses who say that they find the basis period rules very easy to understand, but when we speak to small business advisers about the current system, they tell us that their clients just do not understand. One of them said to us, "When you try to explain the basis period rules, you get them lost before you even start". Our internal data confirms that. The level of confusion, the level of errors, the fact that more than half of eligible businesses leave overlap relief unclaimed suggests there is a big confusion here.

We are going for a simple, straightforward basis of assessment for self-employed businesses. That is good for the tax system. The tax system ideally should have a straightforward, fundamental and solid basis for working off. The new approach works for new businesses, because they will no longer have to go through that complex set of rules about overlap profits and overlap relief at the beginning of their businesses. The IFS did a study in 2019 that showed that the first three years of trade are the ones where businesses are very vulnerable. Those years are the ones where those difficult rules bite.

We recognise—and this is what the Law Society is getting at—that there are some businesses that will face new issues if you move the system to a tax year basis. The Government have been consistently clear in recognising that, but there are always trade-offs when you try to simplify. The difficult judgment for government is how to make the simplification and maximise that benefit for the greatest number of taxpayers and then try to mitigate the potential issues that arise from the reform. The consultation that we have just had showed that it is clear that there is a wide cross-section of people who do see the simplification benefits. Some of the things that have already been announced in the Budget and things that will come in the legislation that we have signalled will be welcome in terms of the changes we have made to the policy.

On your second question, which is the link to Making Tax Digital, the Government have consistently said that we need this reform before Making Tax Digital for income tax self-assessment comes in. That was the general view of stakeholders and people we were talking to before the

consultation. People said to us, “You need to do something about basis periods before Making Tax Digital starts”. This is a sequencing point that has been fairly clear all the way along, which is that you do not want to hardwire in complexity and all the difficulties that the current rules have into the Making Tax Digital system. You need to sort the tax code out first. Those would be my answers as to why it is a simplification.

The Chair: Sorry to interrupt, but is it critical that this takes place before Making Tax Digital? For the implementation of Making Tax Digital, is it critical or is it a policy point?

Bridget Micklem: I think it is critical. I will ask Tom, if I may, to give you an example in a minute to talk through why it makes sense. But, first, the general point is that if you have complexity in the tax code and then put technology over the top of it, the risk is, still, that the difficulty that creates complexity now makes things unclear going into the system and unclear coming out again: so you want to solve the tax code issue first. Tom.

Thomas Brown: Under the current Making Tax Digital for Income Tax regulations, which were laid in September, the quarterly reporting period—the regular reports that taxpayers make—runs over the course of the tax year. However, the assessment of tax, so the basis periods under the old rules, are not aligned to that tax year. For example, someone with a 30 April accounting date would essentially see 11 months of their assessable profits, of their assessable period, fall out of the MTD quarterly reports for that tax year. That creates fundamental misalignment within the old rules between the reporting periods and the period of assessment.

What the basis period rules and basis period reform do is align the reporting under MTD with the assessment of tax and mean that quarterly updates can be used, for example, as a better indicator of how much profit somebody has made over the tax year and how much tax they might have to pay.

The Chair: Very good. Thank you for that. I will pass over to Lord Butler to pick up on this point.

Q60 **Lord Butler of Brockwell:** I think it was confirmed yesterday that the timetable which the Government had previously announced will go ahead and that the transitional year is scheduled for the year before implementation of Making Tax Digital. Some of our witnesses have said that there needs to be an interval between the two, and that introducing them in consecutive years is too much change too quickly. Is there a reason for progressing with such haste before the implementation of Making Tax Digital?

Bridget Micklem: I would give my answer in two parts here. The first is the sequencing. We have just discussed that. We need to get the basis period reform in before Making Tax Digital comes in. Then you have your delivery window, so you need to try to get certainty, as far as you can, about the rules now and then use the space for delivery.

The Government have confirmed that Making Tax Digital is coming in in 2024-25, so that is our space. I think all we are talking about is the common-sense delivery of a policy. If you have your terminus ad quem from Making Tax Digital starting and we have to deliver through that period, you try to get your legislation in now—that is what the Government have announced—and then you do the transition just before Making Tax Digital comes in.

Lord Butler of Brockwell: Yes, but if I may say so, you are taking it as a datum that the Government have committed themselves to introducing Making Tax Digital in 2024 to 2025. Why do they not give a little longer?

Bridget Micklem: I think that is a question about Making Tax Digital rather than the basis period reform, because the basis period reform is an enabler for Making Tax Digital in that sense, so that needs to come before. Whether Making Tax Digital should be delayed again is a completely different question.

Lord Butler of Brockwell: That is my question.

Bridget Micklem: That is not something for me to answer as an official, regretfully. The Government have given their position on Making Tax Digital and said that the date is 2024-25.

Lord Butler of Brockwell: Is it sensible to rush these things through in this way, either for HMRC or for the taxpayers?

Bridget Micklem: Let us talk about timing and reacting to timing. We heard very clearly in the consultation period that people were very worried about timing. It was a clear concern, and I would say to you that the Government recognised that, and recognised it swiftly, so there was no big delay from the end of the consultation period to announcing that there would be a delay to Making Tax Digital and an implied delay to basis period reform, which has now been confirmed. There was a swift reaction that more time would be given, so the Government have heard that and do understand the pressure.

Q61 **Baroness Noakes:** You have explained the basis period reform as being integral to the delivery of Making Tax Digital. Why on earth did it take you so long to work that out? You did not put a consultation out until July this year, which implies to me that it was not thought to be essential for Making Tax Digital but was some afterthought and therefore disconnected from Making Tax Digital.

Bridget Micklem: All I can do is tell you a little bit about the journey (a horrible word). People in HMRC have worked on reforming basis periods before. Earlier ideas have been tried in previous years. At the beginning of this year, the Government came under very great pressure from various professional tax bodies and so on to address basis period reform, as I said to the Chair just now.

We had a sequence of responses. First, in the tax admin framework review that went out in March, there was a suggestion for the reform of

basis periods on this very model. It was within the call for evidence, for sure, but it was clearly badged as a simplification suggestion. We then had a pre-consultation and we had a formal consultation over the summer, so in each case there has been a response. I would say that through that period the Government have been very responsive at all stages to the feedback that they have been getting.

The Chair: But Making Tax Digital has been on the cards for a very long time. It still feels, from Baroness Noakes's point, that is this almost, "Oh my god, we have to sort this out" and it has suddenly come up on the left field. You are telling me that this was always planned; you were always going to have to do this.

Bridget Micklem: No, I am trying to tell you about how this experience has been since January, but also pointing out that people have looked at it for—

The Chair: Sorry, forgive me. I am just trying to understand. You are saying that it is critical, in your mind, to make Making Tax Digital work. We have known that Making Tax Digital is coming down the tracks for a very long time, and I think that what Baroness Noakes is saying, and what I am asking, is: why does it feel, though, that this has almost come as an afterthought, a bit of a bolt from the blue? Okay, fine, we had a consultation last year. Why have we not been looking at this for quite a number of years and thinking through carefully the stages that we were going to have to go through to make Making Tax Digital work in simplification and implementation terms?

Bridget Micklem: It is the nature of developing a complicated thing like Making Tax Digital that you find that issues rise in importance as you go. I did try to explain to you that this is a complex area of law. It has been looked at before. It was looked at by the Office of Tax Simplification, which did a review of partnerships in 2015. As part of that, it looked at basis periods and put the idea of a tax year basis as one of the options. There was a further consultation in 2016 and other work going on in the department between those two things. Ideas have been tried and we have tried in the current proposal to learn from what has gone before. I would put it to you that the thinking has gone on. I have tried to explain why it arose this year.

Q62 **Baroness Harding of Winscombe:** Can I probe a bit more your assertion that basis period reform is essential to make Making Tax Digital a success? We have heard from others that a lighter touch, simply moving to an equivalence between the end of March and 5 April, would give you the vast majority of the simplification benefits you are looking for without the huge complexity for the smaller number of businesses that will be caught by the complexities of basis period reform.

Bridget Micklem: I will start on this one. We have tried to explain through the example that Tom gave that if you do not do this, you end up with a very odd misalignment of information going into Making Tax Digital, which is not what it needs to deliver. If you make that change

solely, you do not get that benefit of making the information that is going into the Making Tax Digital system make sense.

The other thing is that you do not do anything to deal with the problems of overlap relief that we have highlighted, which are problematic for new businesses. Making an equivalence between the end of March and 5 April has been described as "basis reform-lite". I do not think that it does very much. That is the problem.

Baroness Harding of Winscombe: I can understand where you are coming from, but, if you are a farmer, basis period reform will make your accounting more complex for ever. It is not a transition problem, it is a forever problem, because you cannot change the seasons and therefore there is a good reason why your accounting period is where it is. I just worry that you are focusing on only one element of the simplification of the tax system rather than seeing it through the eyes of the users.

Bridget Micklem: Is it helpful now, Chair, to talk about some of these issues about provisional figures and that farmer example in particular?

The Chair: If you want to briefly touch on that, I will bring in Baroness Kramer.

Bridget Micklem: I am just not quite sure where the line of questioning is going.

The Chair: Yes, I know. Go on.

Bridget Micklem: Tom, do you want to have a go at that?

Thomas Brown: Yes, of course. I suppose it would be helpful to unpack the two separate burdens in the ongoing basis period reform. There is the apportionment burden and the estimated or provisional figures burden. With apportionment, although we raised the issue in the summer consultation, the feedback that we received from respondents and what I have heard when I have been talking to businesses and accountants is that it is not a particularly big issue. People think that apportionment is quite a simple process that is done by a simple mathematical sum or done entirely in software, so it is not that great an issue.

For provisional figures or estimation, there is a slightly larger issue and one that we are taking quite seriously. Provisional figures are nothing new. They are in the current basis period rules and they are in other parts of the tax system. They are well used elsewhere, but it is true that more taxpayers—around 278,000—will have to start using provisional figures under the basis period reform. The admin burden that comes about because of provisional figures mainly arises, as we have heard in the consultation, from the actual process of amending returns after you have sent in your provisional figures and doing that amendment process out of cycle with your normal tax return processes. That in itself will depend to some extent on how businesses are organised internally, but it is something that we are taking very seriously and considering; we will

have more details on it when we publish our consultation response next week.

The Chair: Fine. That is very helpful.

Q63 **Baroness Kramer:** Yes. I am sure we will want to follow up on those issues. If I could pop back very slightly, all I am trying to do is clarify this in my head, if you will be patient with me. Do I understand this correctly? With regard to the decision to go with Making Tax Digital, very late in the process there suddenly springs into view an issue over basis period reform, and the decision is that in fact this issue, which has been somewhat overlooked, is now so critical that it needs to be timetabled in ahead of Making Tax Digital happen?

However, rather than take an approach that says, "Let's drive the timetable by looking at the best way to introduce basis period reform, given that it will have complexity and raise some real issues for a significant number of small businesses, particularly in some sectors", we have to squash it into the timetable and the track that Making Tax Digital is already following. That is what it sounds like to me.

I do not understand why one does not say, "Hands up, here's something significant that we didn't understand in its full complexity earlier. Therefore, we need to slow the process to give ourselves time to deal with this complexity in a way that will be least onerous and least disrupting for the businesses that will be impacted". Do I understand correctly what is happening?

Bridget Micklem: Yes. We are trying to explain, though, that the Government listened to that call for more time in September. I have also tried to explain to you that in the delivery window you try to give certainty where you need to give certainty now, and that is what the legislation will do. Then you use that extra time that has been given to work on issues that are particularly difficult and on some of the things that always go around a tax reform, like creating guidance and so on and working with people to get that right.

Baroness Kramer: But is it accurate to say that, basically, in all the work that had been happening on Making Tax Digital, the significance of basis period reform came through late in the day?

Bridget Micklem: I can only give you the timetable that I have given you.

Q64 **Lord Monks:** We have already heard from the witnesses we have cross-examined concerns about the knowledge of all this and the surprise that people have felt with regard to the changes to the basis period reform. I am interested to know what you are doing now to raise awareness of the change in the reform and the rules that will be altered. Do they include direct contacts with impacted taxpayers?

Bridget Micklem: May I put this question to Tom?

The Chair: Please, yes.

Thomas Brown: I think there are two very practical areas that HMRC can support with the change: overlap relief and general communications. First, we know that many businesses simply do not know how much overlap relief they have to use, so we are exploring the best way to communicate the data that HMRC currently holds on overlap relief to taxpayers. Ideally we want to go forward with a proactive effort to inform businesses first off whether they have overlap relief available and, if possible, the amount of relief that we have on record. It is difficult to provide a definite figure, because we do not require taxpayers to put the amount of overlap relief that they have on their tax returns. They are perfectly entitled to keep those records themselves, so it may be that we simply do not know the amount of overlap relief at the moment that taxpayers are entitled to.

The second area of support will be good communication. We are very keen to make sure that there is good communication to reach all the affected taxpayers, and some of our consultation respondents have offered to work with HMRC to make sure that we get the communications right. I would probably agree with previous witnesses, who have suggested the use of touchpoints like tax returns to make sure that affected businesses are aware of the change and know what they have to do. We recognise that there will need to be a special focus on unrepresented taxpayers, those who do not have the help and support of an agent or an accountant, even though the vast majority of affected businesses are represented by an agent.

Lord Monks: Were you surprised by the degree of concern, verging on hostility, to the proposed change? Did it come as a shock or did you expect it, given, as Baroness Kramer said, that this looks like something of an afterthought compared to Making Tax Digital?

Bridget Micklem: I think as the conversation has gone on people have explored new areas, for sure, but I would go back to what I said at the beginning, which is that, certainly at the beginning of this year, the pressure from represented bodies and tax professionals was very clear: "Please do something about this". We also had quite a careful pre-consultation. The informal consultation did flag some of the issues, so we went into the formal consultation being very open about issues we knew we would need to address. What the consultation then did, which is what consultations should do, is rebalance some of those issues. Some became more important, some became less so.

To answer your question, I think we were aware of the issues. As people have engaged, people have flexed some of their opinions. I think that is entirely natural and what you would expect through a consultation as people engage with the detail. That does not concern me particularly, having done loads of consultations.

The Chair: I will bring back Baroness Kramer, who wants to come back on this point about the detail and the implementation.

Q65 **Baroness Kramer:** Yes, it is my fault. I got confused over whether I was

coming in on the back of someone else's question or whether I had my own.

With 18 months to go before we hit the transitional year, I am trying to get a sense of your timetable for dealing with the loose ends. Again, I do not have an expertise in this, but there are something like 13 or so technical issues that are quite fundamental in both apportionment and the estimation of profits. As far as I know, we do not have a timetable for getting these issues resolved. One of our questions is: will you be publishing the answers to that question before the Finance Bill is enacted?

Bridget Micklem: You have caught us in a bit of a betwixt and between. The Budget has confirmed some things, and it has also confirmed that the government response to the consultation will come out when the Finance Bill is published next week. The Budget has confirmed that the reform is going ahead and when. The Budget documentation has also confirmed that the Government will be publishing revised legislation and that this legislation will respond to suggestions from the consultation, including—"including" means that it is not an exhaustive list—more flexible use of overlap relief in the transition year and provisions to reduce the impact of transition profits on allowances and benefits. That is several of your issues ticked off in the list.

Then we have confirmation that the government response to the consultation is coming with the Finance Bill legislation. I cannot tell you today exactly what will be in the legislation or in that response, but what I can say is that the legislation and response together will set out a clear way forward for all those issues. We have raised all these issues: we need to address them all.

Baroness Kramer: Thank you for that. You will understand that some of us are probably at the point of bashing our heads against the wall, because we get almost to the end of a piece of legislation and suddenly there is a raft of corrections. Indeed, it is picking up gaps from the recent Financial Services Act. I think we have three live Bills at the moment, given the tight timetable for implementation.

Bridget Micklem: I go back to my point that not all things will require a legislative solution. That is where you will use that intervening period to work together with advisers and rep bodies to try to get the thing to work in the round.

Q66 **Baroness Noakes:** My question is quite a small one in the whole scheme of things. It is about taxpayers who do not at the moment have a year-end around the tax year, whether it is 31 March or 5 April, and whether there is any support, help, assistance, guidance you will give to those who would find it possible to move to a year-end closer to the end of the year. I know that some businesses like farming and some hospitality businesses will never want to move a tax year-end, and we all know about the large partnerships that face similar problems, but there will still be a number. I do not know if you have an estimate of how many

taxpayers could benefit, because they would drop out of the apportionment rules, and could be helped to do so.

Thomas Brown: The delay to basis period reform means that there is an extra year now, as you mentioned, between now and the transition tax year. This means that if a business wishes it could take a specific course of action to change its accounting date to align with the tax year in advance of the transition. That change would be under the current basis period rules and in some cases would allow a business to benefit from the transition arrangements while changing its accounting date a year earlier. Yes, it is important that we make sure that businesses that want to do that are supported through that change.

Baroness Noakes: Do we have any idea of potentially how many taxpayers are unrepresented? I think you have given the estimate that around 20% of taxpayers affected by this legislation are unrepresented.

Thomas Brown: Yes, that is right.

Baroness Noakes: Of the population who have non-coterminous year-ends, would it be 20% or would it be more?

Thomas Brown: Twenty per cent of the affected population of taxpayers, so those who do not have tax year basis periods already, are unrepresented. Of those, around 75,000 are sole traders.

Baroness Noakes: Would you be communicating with that group?

Thomas Brown: Yes, definitely. They would be one of our key groups to engage with, as we go forwards over the next year, in the extra time that we have before basis period reform. We are working with the rep bodies and other respondents through consultation to make sure that we talk to that affected group and make sure that we get the guidance and support out there and in a form that they understand and are familiar with.

Q67 **The Chair:** Can I come back to your point on transition? As far as I understand it, in the scorecard it says that this measure will generate £1.8 billion in total on the five-year transition. The OBR has rather sugary words about all this. It says, "It does not affect the underlying amount of profits that will be taxed, and indeed removing the possibility of overlap relief going unclaimed reduces revenue overall". But surely to the people who are paying this it will feel like a sudden tax hit. I am interested in what you are saying about transitional relief. Can you talk a bit about this? Do you not see this as just a way of the Treasury potentially trying to get its mitts on more money very quickly?

Secondly, and more to the point, are you looking at how you might soften the transitional relief to mitigate the impact?

Bridget Micklem: The Government are very clear that this is a simplification measure and that it is broadly revenue neutral in the long term. That has been made clear in the documentation, too. I would say that the good faith, which is evidence of that, is the offer of the spreading, which you would not get if this was about "getting your mitts

on money” – to use your words. You would not have an offer of spreading, and you would also not have something that the Government published yesterday, which was an indication that more consideration for more flexibility is being given to the overlap relief question for profits brought forward. The profits brought forward is just reversing what would happen anyway in future events, which is why it is neutral over the long term.

The Chair: I hear what you are saying, but it still is quite a big impact on businesses post Covid as they are trying to recover.

Bridget Micklem: The Covid situation gives us many parameters, does it not? One of the interesting things about this reform is that because it helps small business and new business in particular, you could argue that as we emerge from the pandemic there is a good argument for getting on with it. Another argument for making it easier for new business and small businesses is the way we think the labour market is going and the fact that we will have more people in the gig economy and that kind of thing, doing precisely the small business trades, the new start-ups and so on. The Covid effect is quite complex.

The Chair: Lord Butler, would you like to pick up on the transitional year point?

Q68 **Lord Butler of Brockwell:** Yes. Some concern has been expressed to us that taxpayers may miss out on overlap relief in the transitional year because they do not have the necessary figures. My question to you was going to be: can you confirm that HMRC has all the relevant figures? However, we got the impression from the documentation published yesterday that you will rely on taxpayers themselves to produce these figures for transitional relief. Is that the case? If so, how can you confirm that they are correct?

Thomas Brown: Making sure that taxpayers do not miss out on overlap relief on transition is one of the key parts of the reform and a key part of our current and future work on reform. We want to make sure that the principle that underpins basis periods and the tax year basis—that a business is taxed once on its profits over the life of the business—is maintained as we move into the new tax year basis. That means not baking in double taxation that might have occurred in the old rules, where somebody has forgotten to claim their overlap relief.

We are currently working on the process to get taxpayers the information that we currently hold on overlap relief. It is important, as I have said, to get that information to taxpayers’ agents and accountants as well to help them through the change, but we also understand that overlap relief is not always recorded on tax returns. Taxpayers do not always put it in their returns, they do not always carry it forward, so we can only tell taxpayers what we know from the figures that we hold.

I think publicity and communications are key on this issue, especially for unrepresented taxpayers. That is where we can work with the rep bodies

to get the message out there. As Bridget has mentioned, we have also announced a more flexible use of overlap relief on transition, which means that taxpayers, when they have overlap relief, will be able to use all of it rather than some getting lost.

Lord Butler of Brockwell: What will happen if HMRC does not have the figures, but the taxpayers do not have the figures either?

Thomas Brown: In that case, it may be possible to look back through previous tax returns, previous records, and make a calculation of the overlap period—the period where basis periods have overlapped and the amount of profit that fell in that period—but that is part of the process that we are going through now to look at how we can support taxpayers through the change.

Q69 **Baroness Noakes:** I want to be clear from HMRC whether or not it has this information, because a number of people who have given us evidence say that the only people who should have comprehensive data on overlap relief are HMRC. It would be very interesting to hear the extent to which you have this information and are prepared proactively to share it. For example, one witness told us that due to an IT malfunction several years ago, not everything was capable of being retrieved, and one of the things that was not retrieved was historic records relating to overlap relief in relation to the client base of that adviser. I am sure that will be replicated. People change advisers and the whole history does not necessarily go with it, so I wanted to get a sense in which you know you have that information and will use it.

Thomas Brown: At the moment, HMRC holds data that is from self-assessment tax returns, so if a taxpayer has included the amount of overlap profit in one of their previous tax returns, we will still hold that data and can retrieve it. However, if a taxpayer has not included the amount of overlap profit that they are carrying forwards in one of their previous tax returns, we simply will not hold that data.

Baroness Noakes: For pre self-assessment?

Thomas Brown: The basis period rules were introduced at the same time as self-assessment, so any overlap profits, any overlap relief, will have been generated since the start of self-assessment.

Q70 **Baroness Harding of Winscombe:** My question follows quite nicely on from this. We have heard from the professional tax bodies that they are concerned that their members will not have the capacity to provide the support their clients will need to cope with basis period reform and Making Tax Digital at the same time. I think some of that reason will be trying to find data. They have also queried whether you yourselves in HMRC are sufficiently resourced to provide the support that taxpayers will need, especially as they feel that the current level of service is challenging anyway. I think the exchange we have just heard between you and Baroness Noakes points to how challenging some of these cases will be. What resources are being dedicated to this work, and will there

be enough?

Bridget Micklem: All I would point you to is the tax information and impact note, which confirms that there is an estimate for the resources that HMRC is putting to this. We have done a thorough exercise to have a think about our IT systems and the customer service, the extra support, that we will need to put to this. The figure was £13 million, I think. That is not an insignificant budget. It shows that this is a piece of work that will be taken seriously.

I had something on service levels, yes. I know that people have queried HMRC's capacity in relation to general service levels, so it is worth noting that HMRC has seen improvements in the customer service levels in the first quarter of 2021 to 2022, and saw strong customer satisfaction in August, where 84% were satisfied with the service provided. We know that there is more to do to improve turnaround on customer correspondence, for example, but we expect to see further improvements as we emerge from the pandemic and we are continuing to rebalance how we prioritise our resources.

So in summary, my answer to you is twofold. We have done a serious budget, we have done a serious exercise to look at the operationalisation of this, and that includes the customer service. Customer service levels are on an "up" anyway.

Baroness Harding of Winscombe: Would you be able to share the assumptions that lead you to believe that £13 million will be sufficient?

Thomas Brown: The £13 million has been brought together through work with our colleagues in delivery, on the operational side of HRMC. We have looked at the IT systems and delivery changes that will be required and the total cost of implementing the reform for HMRC.

Q71 **Baroness Kramer:** To follow up one last time on the entities that will have to apportion and estimate their profits and to try to understand the support and easements available for them, if I understand this essentially they fall into two categories. We have some very sophisticated partnerships that will not be changing their year-end. They cannot because they are global, but they have a lot of internal resource and a lot of capability to deal with all these issues. I do not know if you have any comment on them.

Then there is a pool of far less sophisticated companies—farming, tourism, some aspects of retail—that have very variable profits from year to year and very little control over that variation in profits, which are very hard to estimate. Because of their cash flow cycle, if they are paying tax against estimated profits, presumably they will have to borrow in order to make those payments, never mind get themselves a lot more complex advice. What will happen to provide them with some support, or are they just one of the groups that fall into the category of losers with this change?

Bridget Micklem: This is where we have the problem of being "betwixt and between", because I cannot anticipate all the things that will be said

in the government consultation response. All we can say is that we take that seriously. We have had a lot of suggestions through the consultation feedback. We have expressed a willingness to work on these issues and I think there could be various ways to help. That is probably as far as I can go today.

Thomas Brown: I would also reinforce the point that the tax year basis and the basis period reform are additional administrative burdens, which may be a cost to some of these businesses, but the old basis period system had an administrative burden, an administrative cost, of recording and of calculating overlap relief, and a real direct tax cost in businesses having to pay the overlap tax and then having to wait 10 to 20 years, for example, in the case of farmers, to be able to claim that relief back, by which point the relief will have lost most of its value. Under the old system, where you have a direct tax cost and an admin burden, the new system has an admin burden, so you are removing that direct tax cost.

Baroness Kramer: I think you have done a calculation on how much additional tax take will come in because of that change, the tax payments that will flow in. How much is that? I cannot remember the number.

Bridget Micklem: You are talking about the scorecard. The scorecard shows the initial figures, but, as I mentioned at the beginning, the reform is broadly neutral in the long run.

Baroness Kramer: Yes, but in the long run we will all be dead. I am just trying to understand.

Bridget Micklem: I think the OBR comments on what the long run is.

The Chair: It is £1.8 billion in the total scorecard period.

Baroness Kramer: That is the transition period only. I do not know what the number—

The Chair: Maybe you can provide that to us.

Baroness Kramer: Yes, I am just curious to know what the additional take is from those who are paying.

Q72 **The Chair:** Unless anyone has any further questions on basis period reform, I am conscious of time. We have the next subject, which we do want to cover in quite a bit of detail, so I would be grateful if we can try to keep answers as short as possible.

Turning to uncertain tax treatment, last year witnesses said that HMRC had not explained the rationale for uncertain tax treatment and these measures. This year we have heard very similar critique. Let me read you what the Tax Law Review Committee said. It said, "The proposed notification obligation is a flawed proposal, which has no clear objective but will inevitably impose additional compliance costs on large business for unexplained, uncertain and unquantifiable benefits ... the stated

policy objectives were hopelessly confused". What do you say to those who say that the case for change has not been made? Who would like to answer that?

Helen Page: I will take that one. We do think the case for reform is made. We have been clear from the outset that what we are about here is tackling the very large legal interpretation tax gap. Let me tell you a little more about why we think this measure will do that.

Tax gap reduction is of course a long-term aim; it cannot happen overnight. The fact is that we have here a very large, very stubborn tax gap in the form of the legal interpretation tax gap. It has been very difficult to shift through our normal operation and compliance processes and work. We do think that something new is required to understand that tax gap better and to start to break it down. This measure breaks new ground, because it will enable HMRC to find out more legal interpretation issues and to find out about them sooner. That has to be a good place to start in reducing that legal interpretation tax gap.

We do of course already see legal interpretation issues in HMRC in our work, but they are very often not apparent from the face of tax returns. They come to light in a number of different ways. Sometimes taxpayers tell us about them up front, even before they file their returns, and that is the kind of behaviour that we want to encourage. Sometimes we find out about them in the course of an inquiry later down the line, and sometimes we find out about them much later, when it is too late for us or anyone to do anything about them because the time limits have run out.

This measure is about imposing a consistent framework around all that, so it will help us to identify potential high-risk legal interpretation disputes sooner and more consistently. It will enable us to assess the implications earlier, have earlier conversations with customers about it and resolve them earlier. That is in line with our compliance strategy to identify and formulate ways of dealing with issues as early as possible. It is a levelling the playing field measure. As I said at the beginning, some customers already do this with us. The impact on them will be much less, so this will level the playing field for them, because the others will need to do the same thing, effectively.

Baroness Noakes: You say that it is to improve compliance among large businesses that do not currently engage in a transparent way. Witnesses have told us that they do not see the rules as having that effect. They see the rules as having the effect of putting more burdens on compliant organisations. Those who are already engaging fully and transparently with HMRC will now have to make sure that they are covering themselves legally against these new provisions by putting more notifications in, which presumably cannot be good for anybody. What evidence do you have to make you believe that your proposals will have the effect that you desire?

Helen Page: I can talk about the administrative burden, but first I will hand over to Chris to talk about whether it will be effective.

Christopher Thomas: If I could explain to the committee, what we have said about this measure is that it has more than one aim, which includes identifying and clarifying uncertainties earlier than we would otherwise identify them, as well as identifying businesses that are pushing boundaries, in order that we can create a level playing field. We are saying that the measure is not aimed only at a minority of non-compliant businesses. We consider that broader aims across large businesses are appropriate, because the legal interpretation tax gap does not relate solely to a minority of large businesses.

The way the measure has been designed is very much in line with our compliance strategy. Our approach is to promote early engagement and support for customers to get their tax right at the outset. What we mean by that is helping customers to file returns with a tax position that we both agree. This measure supports that. If they are not sure, we encourage them to raise issues of uncertainty with us and talk to us and engage with us early before filing. We adopt that approach because it is more cost effective for us and for customers, and the measure supports that by encouraging customers to engage early with us to discuss those potential issues. It also gives them a clearer framework for doing so, recognising what types of issues we are likely to be interested in and to discuss with them.

On the question of levelling the playing field and how the measure will be applied and will support that, we have put a lot of time and thought into developing the measure, as have stakeholders that have worked with us, and we expect customers to comply with their obligations. A core feature of the way we manage the tax compliance of large business is through our business risk review process. There are four categories, from low risk to high risk. The higher the risk category, the more closely we look at the business and the way it goes about things for tax purposes. We will be doing that and applying that to look at the way it (the business) is applying the uncertain tax treatment and asking it questions about its systems and governance to support its compliance with the uncertain tax treatment regime.

Baroness Noakes: I am a bit mystified about why your current arrangements, including the customer compliance managers, are not delivering this for you already.

Christopher Thomas: It is because it is very difficult to identify these issues. Around a third of businesses on our most recent round of business risk reviews were classed as low risk, and there are certain requirements for those businesses to engage with us. There is quite a clear set of criteria, which includes talking to us about legal interpretation issues, but this gives them a clearer framework to start off with. For the larger proportion of businesses that are not low risk, this measure will support our ability to discuss with them more clearly and more openly, and with a

clearer framework, the types of issues of uncertainty that we are interested in.

Q73 **Lord Monks:** This is a question about the known view of HMRC on particular issues. Witnesses have told us of the challenges of identifying, if there is a known view, exactly what that known view is and how they need to respond to it. They have been concerned that the HMRC may not have the resources to keep its guidance up to date to make sure that the obligation is clearly understood by the people it is dealing with. I do not know whether you agree with them that maybe there are some doubts about the resources that are available for this particular task.

Helen Page: Can I say a bit about that test, please? The known position trigger was the main test that evolved from the responses to the first consultation on this measure. If you remember, we started with a test of whether HMRC would be likely to challenge the tax position taken. Consultees told us pretty unanimously that they did not like that, that was too subjective. We have replaced it effectively with the test of whether the tax position taken conflicts with HMRC's known position. As you say, that means that the taxpayer has to know what HMRC's known position is, but it is a clearer objective and manageable test.

In the consultation meetings that we have had, and we have had many over the last 12 months, this particular test has been broadly welcomed by consultees. At one time we were consulting on seven different triggers, and this was the one that they overwhelmingly wanted to keep. I agree that there is some implementation detail to refine, but this is a proportionate and clear test, which has broad support.

I think that witnesses in some of the sessions that you had in the last couple of weeks said that the legislative test is very broad and would potentially mean that people have to traipse through decades of documents to understand that known position. Of course that is not what we want at all. It is right that the legislative definition is quite broad. It needs to capture the essence of what we want and not mean that we have to keep going back and changing it when things change, but I can confirm that we will interpret that test in a sensible and proportionate way.

We will not require businesses to trawl through decades of different statements or back through years of documents. In particular, we will not expect businesses to know the content of HMRC forum minutes that are published or submissions that are made in litigation. It is incumbent on HMRC to take that view and put it into its published guidance, which is where we will state our known view.

The Chair: This is very interesting. You are saying that you will interpret this in a sensible and proportionate way, and the mere fact that you are having to tell us that suggests to me that you are acknowledging that this trigger introduces more uncertainty, not certainty, into the tax system. What do you mean by "sensible and proportionate"? Can you clarify that?

Helen Page: We have set out in our guidance on the measure—it is draft guidance at the moment—what we do, because consultees have been saying, “Is it this? Is it that?” so we have put a table in saying, “This is where you will find HMRC’s known view. This is where you don’t need to look”. I think it was Ms Rawson in one of the sessions last week who said that the table is not good enough. We are very happy to work with stakeholders to refine that and get it to where it needs to be.

The Chair: I think the Law Society has pointed out to us that “this subtly erodes the central position of the law as the foundation for the tax system by making it more difficult in practice to diverge from an HMRC interpretation, even when the law itself is clear”. What companies are looking is the HMRC’s interpretation of the law. Is that what they are meant to be looking at in this table, and what you will be pointing towards?

Helen Page: Yes. We are not saying that HMRC is right. That is ultimately for the courts to decide, but we do think it is reasonable for the UK’s largest businesses to know what HMRC’s position is, as set out in our central guidance manuals and other up-to-date publications, such as revenue and customs briefs. We do not think that is too much to expect of the UK’s very largest companies, and we think that they are doing it anyway as a matter of good risk management in their day-to-day work.

Q74 **Baroness Kramer:** I wanted to raise the issue of one of the other triggers, which was basically removed yesterday: the trigger providing for the substantial possibility of a tribunal deciding differently. I think we are rather relieved that that trigger has been dropped, but it has apparently been dropped only for now. Could you try to explain to us what on earth you mean by the Government being committed to further consideration of this third trigger for possible inclusion later? When will we know whether or not this trigger has been reintroduced? That is my question. You will be very aware that witnesses basically said to us, “How on earth can you test this objectively?” Who is telepathic enough to know what the outcome of a tribunal’s ruling will be?

Helen Page: The Government announced yesterday, as you say, that the third trigger is being removed. We are proceeding with the first two triggers only in the forthcoming Finance Bill, so the third trigger will not be coming back in this Finance Bill. There will initially be just the two central tests, both of which won broad support in consultation, that will trigger the requirement to notify.

We had a lot of concern about the formulation of the third trigger and how easy it would be to comply with. We still believe that the third trigger could strengthen the regime considerably, which is why we want to consider how and whether it might form part of the regime in future. We want to keep looking at the third trigger, because we think it would identify a category of uncertain tax treatment that is not caught by the other two triggers. I think it was Mr Gammie who said in one of your sessions, “You don’t know what you don’t know”, and it is those unknown unknowns that we were trying to get at with that third trigger.

In consultation meetings, when we talked about what we were after people understood what we meant. It is a category of risk that means that the company does not have to make a formal provision for it in its accounts, so they think they are more than 50% likely to be right, but they also know that there is a good chance that they might be wrong and they might be challenged. From what we heard we think that businesses are making that kind of judgment on a regular basis. That is the kind of uncertain tax treatment that we do not know about but we know is out there and would like to know about.

Q75 **Baroness Kramer:** Could I ask you a procedural question? Will you be structuring in the Finance Bill powers to enable you to bring this in without it coming in in primary legislation, so it could not come in either by direction of the Secretary of State or through a statutory instrument; it would have to be part of primary legislation and a new Finance Bill?

Helen Page: Yes.

Christopher Thomas: To add to Helen's point about businesses already needing to make those judgments to include a provision in their financial accounts, the judgment is whether it is more likely than not that the treatment will be found to be incorrect. They are already making these types of judgments, and the substantial possibility test just extends what we are asking business to disclose to us.

Baroness Kramer: But essentially they have been doing it without consequences. You are now attaching consequences.

Christopher Thomas: They have been doing it with no obligation to tell HMRC what judgments they are making and where they are identifying areas of uncertainty. What the regime is doing is asking business to tell us about those areas of uncertainty so that we identify them earlier and more consistently across all businesses. Some low-risk businesses, in order to fulfil the criteria, need to speak to us. That is part of the arrangement, but it is not consistent. There is no obligation on businesses that are not low risk to speak to us and disclose this information at an early stage.

Q76 **Baroness Harding of Winscombe:** I want to explore the costs of complying with this, because I am a bit confused. On one level I think I am hearing you say that compliant businesses are already doing this and discussing with their compliance managers, so it should not cost very much. On the other hand, about 10 minutes ago, Mr Thomas, you said that this is not just about the non-compliant businesses and that we expect it to change the behaviour of compliant businesses.

We have heard consistently from our witnesses that compliant businesses are likely to overdisclose because they care about being compliant, yet your estimates yesterday of the ongoing costs of this is only £3 million per year, which my maths—and I might not have this completely right—says is roughly 2,000 large businesses. That means that we are assuming it will cost each business £1,500 a year, which seems incredible if you want them to do anything.

Which is it? Is this a big sledgehammer that will not crack a nut at all because it will not change the behaviour of the compliant businesses, or is this adding quite substantial complexity and cost to British business?

Christopher Thomas: Maybe if I can start and then Helen can add some detail about the costs. I think the answer to the question whether it is one big sledgehammer for all customers is no. It applies differently in different situations. I have spoken a little bit about low-risk businesses, and part of the criteria for being a low-risk business is that they speak to us. I think that in the main they will already be disclosing issues. This measure adds a bit of clarity for them about what we mean by uncertain issues, because I think that on occasion there may be challenges for them in identifying what types of issues we would be interested in. This measure should provide a bit more clarity for them.

For businesses that are not low risk, it imposes an obligation on them that is not currently there. At the moment, we are not receiving information routinely from businesses and certainly not at an early stage. That is what this measure achieves for them. They will have systems for financial reporting that identify issues on which they would make a provision. They will have systems in place. They may need to add to those systems and governance to be able to comply with the obligations of the uncertain tax treatment measure, but we are not starting from a position where any company has to put a whole new system in place. We think that it will build on systems they already have.

Baroness Harding of Winscombe: Where does the £3 million assessment come from? How much you have consulted with big businesses on what costs this will drive?

Helen Page: We have tried to find out two things in consultation with businesses and our own operational people who deal with large businesses. The first is what initial steps businesses would need to take to familiarise themselves with the new regime and make any changes to process and governance. As Chris said, nobody has told us that they need to build a whole new system for this. It will be tweaking existing processes and governance. I think that is why the initial one-off costs, as we call them, have come out as negligible, but we acknowledge that even the most compliant businesses will need to put some sort of checks in place annually to make sure that they have complied and already told us everything that they would otherwise have to report.

We sought evidence from consultees through our consultation meetings, and we put a survey out to them after the draft legislation was published to ask them, "Now that you have it in black and white, what will it cost you to comply with this?" The response, I have to say, was not very high, so we turned to our own people, as well as our own CCMs, who deal with these customers on a daily basis. We found some recent recruits to HMRC who had recently worked in the tax departments of large businesses and we talked to them. That is where we came up with the continuing costs of up to £3 million a year. It is an estimate, and we acknowledge, as Chris

says, that it will affect different businesses to different degrees, depending on their starting point.

The Chair: Very good. Lord Butler has quite a good question flowing straight from that.

Q77 **Lord Butler of Brockwell:** Yes, it does. Your own figures put the legal interpretation at £4.9 billion. Last year, the costings were that this measure would save around £45 million. In yesterday's tax information and impact note, I think that has now been downscaled to £35 million in 2023, diminishing to £20 million in 2026-27. As you have just said, the cost for business across the board, although it is uncertain, may be £3 million, and I think you have said that the cost to you is £15 million. Putting all those figures together, it does not sound like very good value for money.

Christopher Thomas: As you have observed, the Exchequer benefits from the measure updated yesterday and over the scorecards up to 2026, the expected Exchequer benefits are £130 million. That has been calculated based on a robust methodology, as you would expect, agreed by the Office for Budget Responsibility. The forecast benefits are considerably more over the scorecard period than the estimated administrative costs for HMRC, which are estimated at £15 million, and for business.

There is a cost-benefit case for the measure itself, but I think the point you are making is the wider question of how the measure helps to address the overall legal interpretation tax gap, which is significant. Here we see the measure playing a broader role, integrating with other activities and parts of HMRC's delivery of its compliance strategy. We expect there to be a more significant impact on the legal interpretation tax gap as a consequence of the combination of this measure with those other activities.

For example, as well as enabling us to hold more structured conversations with customers, it will enable us to identify areas of uncertainty and provide fuller information about how we can address them through our guidance, identifying areas that may need improvement that could cause uncertainty for customers. It could point to policy issues that we would seek to address. It would identify business sector issues on which we can engage with representative groups. It would enable us to run education campaigns and interventions.

I think the key point is that identifying these uncertainties earlier opens up the opportunity to run a much more strategic, informed, well-chosen and decided selection of activities to address uncertainties, which then helps us to tackle the legal interpretation tax gap.

Lord Butler of Brockwell: Thank you very much for that answer. To clarify one thing, is the figure of £15 million for Inland Revenue over the four years or an annual figure? Is the £3 million to businesses a figure over those four years or an annual figure?

Helen Page: The £15 million is over four years, but £8 million of it is one-off costs to HMRC, because we will need to build a system to receive digital notifications. The rest is FTE costs of having a team in place to assess and triage the notifications as they come in.

Lord Butler of Brockwell: The £3 million figure is for businesses.

Helen Page: The £3 million is per year for the whole affected population, all the large businesses affected, up to £3 million a year.

Q78 **Baroness Noakes:** I want to return to the subject of CCMs, which I touched on earlier, and how you see them in the new system. I think it was said that if taxpayers were engaging properly with CCMs, that would reduce the need to notify. On the one hand, we have some evidence to us that nobody will rely on that; they will notify anyway. On the other hand, some people are saying, "The CCMs are under huge pressure and we don't always get their time and attention. We cannot discuss all these things with them in the way we'd like to", which in itself will lead to a high degree of notification by all taxpayers of whatever risk in your risk assessment.

Could you explain to me how you see this working for the average compliant taxpayer, who is trying to have a relationship with their CCM in order not to fall foul of the obligations being placed on them?

Christopher Thomas: Maybe I will start by saying that we are now looking ahead to how the measure is implemented and what support we need to put in place for business, which can comprise things like webinars which they can attend to learn about the measure, ask questions and develop their understanding of how we are viewing things. It is really to help business with the point about overnotification and that we do not want overnotification. I am sure business do not either. It is to look at how we can put things in place that set clear expectations and deal with those with business so that they understand what we are expecting with this measure and that those expectations are reasonable and they can question us about them so that we have a shared understanding.

On the question of customer compliance managers, this is very much the way we operate with large business anyway, not just low-risk businesses but all businesses: encouraging them to speak to us early. We want them to speak to us about uncertainties. In a lot of ways, I think the measure will operate very much in the way we ordinarily do with a business. We would encourage them to come and speak to us early, certainly before they are in a position to file a return, so that we look at the tax issues and, where we can, reach agreement before the tax position is filed. This measure is very consistent with that. and we are very committed to that approach because it is more cost effective for us and for the business.

We have around 170 customer compliance managers in large business. They are senior, highly-trained compliance professionals, and we have 2,300 people in the large business directorate. We also have additional staff in the mid-size business directorate, who will also be dealing with customers that are affected by uncertain tax treatment. A number of

those individuals are customer facing and they engage with business tax issues, so we think that we have the right model and the right resourcing for this. We are looking to encourage that early engagement by business and to encourage it to come and speak with us and, where we can, resolve tax issues before they become more resource and time-consuming if we find out about them later.

Baroness Noakes: Do you recognise the concern that CCMs are under a lot of pressure and do not have the time to devote to the relationships that they should be developing, where these things can be discussed?

Christopher Thomas: Indeed. Over the last year, the level of demand on CCMs and on business has been exceptional, but I do think that CCMs have been very successful in dealing with that. Our survey of satisfaction from large business is over 90%, and that has gone up continuously year on year over recent years. I recognise the demands, but I think that we are equipped to deal with them.

Q79 **Lord Monks:** This follows on from Baroness Noakes's question. Not all businesses have CCMs within the scope of all this. I am interested in what you said about what you are doing to make sure that people have contacts and so on. Will everybody, in the scope of the measure, have some named contact in HMRC who they can discuss their problems or issues with?

Christopher Thomas: We have listened to some of these concerns, which have been raised with us in consultation. We anticipate that there around 300 to 400 businesses that are dealt with by HMRC's mid-size business teams will be affected by the measure. That compares with about 2,000 that are dealt with HMRC's large business directorate. Businesses dealt with by our mid-size business teams are generally smaller and less complex, and may present less tax compliance risk than those dealt with by the large business directorate. They do not generally have a customer compliance manager.

In terms of arrangements for the measure and for our compliance strategy, where it is the same approach for mid-size businesses, we would much prefer them to come and speak to us early. That is what we would encourage them to do. We have been looking at how that process will work. We already have a facility in place for them to make requests to HMRC to initiate contact. That is a standard way in which mid-size business can contact us and ask for support, and it is something that they should already be familiar with. That request is received by HMRC's customer engagement and support team, which is a specific team that is dedicated to mid-size businesses, is used to providing support for that customer group and has successfully provided support for mid-size businesses during the Covid pandemic.

That team will act as a point of contact and will engage others across the department and certainly across the mid-size business directorate as and when they need it, so that they can utilise them to obtain the support and

contact that the customer needs to be able to deal with the issues that they are raising with HMRC.

Q80 **Baroness Harding of Winscombe:** You are now in the third iteration of this new requirement. You will be in no doubt that there are still concerns being expressed. This committee recommended last year that the Government went back to the drawing board and started again with a stage 1 consultation to develop a more proportionate measure. Why was that not done?

Helen Page: The first consultation we think now was perhaps too narrow and focused on a certain proposal. We heard that message loud and clear from the responses we had. We listened and responded by deferring implementation for a year to allow reshaping of the policy design and further consultation.

Effectively we did go back to the drawing board. As part of that second consultation, we asked whether stakeholders agreed that we ought to be doing something to tackle the legal interpretation tax gap. I suppose it is fairly obvious that they would say yes, but we also said, "Is there anything else we should be doing? Should we be doing it in a different way?" We got some ideas then. For example, some people said that we just need to remove uncertainty from the tax code, which of course we do. That is a massive thing, but this measure is not inconsistent with that. Others said that we should, as has been suggested here, just do more compliance inquiries to try to flush out these issues. I think our preference is to have better information about uncertain tax treatments earlier so that we can focus and prioritise our inquiries better, rather than just doing more of them.

Thirdly, some suggested doing something like the Australian system, which is where you have something called a reportable tax position and it is only those positions that people need to notify. That is not a million miles from our second trigger, but ours goes a bit wider, which we think will give us richer information.

Q81 **The Chair:** I will end with a final question, which really begs a yes or no answer. Will this measure simplify and bring certainty to the tax system?

Helen Page: I cannot claim that it will simplify the tax code. That is not its aim, but I do believe that it can drive simplification by levelling the playing field and providing a better understanding of the tax gap on which HMRC will be able to build and make policy and guidance improvements. A lot of people have said that we need to improve our guidance, and I think this will help us to do that, because when we get notified of these issues it will expose weaknesses in our guidance or things that we need to make more comprehensive or clearer in our guidance. That will help customers in the longer run.

The Chair: Anyone have any further questions? No. Thank you all very much for your time.