

Treasury Sub-Committee

Oral evidence: The conduct of tax enquiries and resolution of tax disputes, HC 733

Monday 18 June 2018

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Watch the meeting

Members present: John Mann (Chair); Rushanara Ali; Mr Simon Clarke; Charlie Elphicke.

Questions 1 - 90

Witnesses

[I:](#) Victoria Todd, Senior Technical Manager, Low Incomes Tax Reform Group; Paula Ruffell, Senior Tax Manager, Grant Thornton; Keith Gordon, Barrister, Temple Tax Chambers.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Witnesses: Victoria Todd, Paula Ruffell and Keith Gordon.

Q1 Chair: Good afternoon. Can I welcome you to this hearing of the Treasury Sub-Committee? It would be helpful if you could introduce yourselves, please. Victoria, perhaps you would like to start.

Victoria Todd: Hi, my name is Victoria Todd. I am a manager at the Low Incomes Tax Reform Group, which is an initiative from the Chartered Institute of Taxation to give a voice to unrepresented taxpayers and tax credit claimants.

Paula Ruffell: I am Paula Ruffell. I am a senior manager at Grant Thornton in the tax investigations and disputes team. Grant Thornton represents a number of taxpayers, from individuals right through to SMEs and mid-market.

Keith Gordon: My name is Keith Gordon. I am a barrister practising from Temple Tax Chambers.

Q2 Chair: Thank you. I will start, if I may. I will ask a question of each of you separately to try to get the hearing properly underway. Ms Ruffell, if I could start with you, agents often offer to negotiate with HMRC for clients involved in tax disputes. If HMRC follows its litigation and settlement strategy to the letter and only ever resolves disputes in accordance with the law, and if it is not prepared to compromise on its view of the law, what is it that is up for negotiation?

Paula Ruffell: You have nailed the hard point, which is about what is in accordance with the law. In the litigation and settlement strategy, one of the points that you need to consider is the prospect of success should the matter proceed to litigation. One of the things, in our experience, is that when it comes to lawyers looking at it, they will be able to assess prospects but, even then, will find it quite difficult to do given the litigation risks. What we do not see is more junior caseworkers being able to weigh those prospects, as you say. Actually, they find it difficult to apply the litigation and settlement strategy, and in particular that point about prospects.

Q3 Chair: Is there a deal to be done over particular elements of the settlement?

Paula Ruffell: I used to be at HMRC. I was there for nine years in the Solicitor's Office. Unfortunately I find it very difficult when somebody talks about a "deal to be done", because it was engrained that, actually, no deals were done because the litigation and settlement strategy was followed. You reach an agreement on a principled basis, and that principled basis is effectively looking at the law and seeing what can be done. For example, in a dispute where you have different taxes at stake,



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you would take each in turn and look at what the right position is in relation to each tax. What you are not doing is saying, "We will give you VAT if you ignore income tax". That was what the litigation and settlement strategy was aimed at combating and stopping.

Q4 **Chair:** What value add are you providing?

Paula Ruffell: We help our clients navigate that whole process. We help them be able to put that principled basis so that HMRC can consider it, so that it is a settlement that would be upheld should it be challenged by the Public Accounts Committee, the courts or other taxpayers.

Q5 **Chair:** You help them to navigate, so there is no negotiation of any kind.

Paula Ruffell: I personally feel that those days are gone. I was on HMRC's side of the fence prior to the litigation and settlement strategy coming into force.

Q6 **Chair:** Victoria Todd, does HMRC deal with disputes fairly and in an even-handed manner? What actually happens in the real world?

Victoria Todd: We are interested in people on low incomes who are unrepresented. I should probably just clarify that LITRG is not a frontline organisation. We work very closely with the two frontline tax charities. We rely on people who contact us through our websites to find out what is actually happening in the real world. What we find is that HMRC often do not take into account the particular circumstances of our client group, particularly around vulnerabilities. One of the things we pointed out in our submission around the settlement strategy is that, although it is supposed to cover everybody, there is actually no reference to unrepresented taxpayers and, particularly, the unequal balance of power between them and HMRC. There is also nothing around vulnerability and how HMRC can perhaps deal with that.

Q7 **Chair:** What do you mean by "vulnerability"?

Victoria Todd: Vulnerability could be things like mental health problems; it could be learning difficulties; it could be physical disabilities. It could be anything that could cause the taxpayer particular difficulty when dealing with HMRC. What we see is that people who do eventually go to the tax charities for help often have tried to navigate the system themselves, have asked for their penalty to be written off because of a reasonable excuse, and HMRC have said no. The tax charities then are able to be successful at having that written off.

Q8 **Chair:** So you mean negotiating.

Victoria Todd: It is not negotiating. The tax charities are better able to explain the circumstances of the person, perhaps, to HMRC.

Q9 **Chair:** There is no definition of "vulnerability" within HMRC, is there? There is no official definition.



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Victoria Todd: Within their manuals they have some guidance around people with different vulnerabilities. The Debt Management and Banking Manual has a section about vulnerable customers. It breaks them down into the groups that I mentioned. It covers elderly taxpayers and things you might need to think about when you are trying to recover the money. I am not sure there is any guidance in terms of other parts of HMRC.

Q10 **Chair:** Is that disability or vulnerability? The two can go together, but the two are quite different.

Victoria Todd: Yes, but the chatter in the Debt Management and Banking Manual is headed “vulnerability” but it does also have sections on disability.

Q11 **Chair:** Let us think about someone who has never handled tax. Classically that is more likely to be a woman, whose husband has always handled the tax. If he drops dead—unexpectedly or not, but let us say suddenly—they have never handled this kind of stuff before, and there are all sorts of complex tax issues, is that one of the examples that you mean by “vulnerability”?

Victoria Todd: In a case where there has been a bereavement, yes, potentially.

Q12 **Chair:** Is that one HMRC deems as vulnerability?

Victoria Todd: Situations where there has been a bereavement, as you describe, are certainly covered in the Debt Management and Banking Manual. There was one example I read from one of the charities recently where the person themselves had tried for reasonable excuse on those grounds and it had been refused, and the charity was then able to put, perhaps, more information forward.

Q13 **Chair:** What kind of information do you mean?

Victoria Todd: The statistics around the independent review stage that we put in our submission show about 50% are being overturned. One of the things HMRC has said as to why it is at that level is because it gets more information at that stage. If we look at the range of information people have provided, when you get the appeal form to appeal and provide your reasonable excuse, it really does not tell you how specific you need to be. It is a tiny box on a piece of paper. Often HMRC feel that there is not enough information to make a judgment as to whether there is a reasonable excuse or not.

Q14 **Chair:** You are providing advocacy, then.

Victoria Todd: At LITRG, we provide information to people through four websites.

Q15 **Chair:** The charities you are working with provide advocacy in reality.

Victoria Todd: Yes.



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Q16 **Chair:** You, Ms Ruffell, are providing advocacy.

Paula Ruffell: As Victoria says, there are elements of the code where there is a discretionary element. That is probably where we add the most value: navigating what is fair and just, what is reasonable and what is proportionate. There are areas of the tax code that leave themselves open to interpretation, and that is where we help our clients.

Q17 **Chair:** You are providing advice and information on vagueness, where it occurs.

Paula Ruffell: Yes, in terms of what could objectively be considered reasonable, fair and just or proportionate.

Q18 **Chair:** But you are not advocating on behalf of people.

Paula Ruffell: We would stand by whatever we had said, unless there was an audit conflict, in which case we certainly would not advocate.

Q19 **Chair:** You seem to be a little reluctant to say that you advocate.

Paula Ruffell: We would advocate for most of our clients, but we do provide audit services where we do not, for conflict purposes. So with audit clients we draw a line and we would instruct counsel or another law firm to do the advocacy piece of work.

Q20 **Chair:** Mr Gordon, does HMRC in reality only take cases to courts and tribunals where it is likely to succeed?

Keith Gordon: I am sure they take cases they think are likely to succeed. There are definitely certain cases where one thinks, "Why on earth did they ever take that?" I can think of my own caseload, where I have asked for an internal review, which is the pre-tribunal stage—the optional stage after an appeal has been made—and I have said, "I am pretty sure the Revenue will back down at that stage. Someone is going to look at this case and say, 'You must be mad to fight it'". I was proved wrong. So we notified the case to the tribunal and I said, "I am pretty sure that when the Revenue prepares their statement of case"—which is the first stage after it goes to the tribunal—"it is going to go to someone completely independent and they are going to look at this and say, 'There is no way we are going to pursue this case'". I was wrong. We went to the first-tier tribunal; we won. The Revenue then took it to the upper tribunal; we won. They then gave up. There are certain cases you look at that and see that, on pure technical grounds, they should never have taken.

Q21 **Chair:** Is that because they are incompetent?

Keith Gordon: Either they are making some very big mistakes or they are taking a different view, saying, "Let us cause taxpayers as much aggravation as possible". I do not know which it is.

Q22 **Chair:** It could be that the systems have too much vagueness in them.



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Keith Gordon: The case I had in mind was a black and white question of law. There was absolutely no alternative way of looking at it. There are other cases where it is a case of reasonable excuse and whether there is a late penalty. Clearly that is a matter of subjectivity, and different people are going to look at the same facts in different ways.

Q23 **Chair:** But they win most cases. They win the majority of cases.

Keith Gordon: They say 80%. I have seen that statistic in different terms. Sometimes it is 80% of avoidance cases; sometimes it is 80% of all cases. I am not sure whether there is a bit of Chinese whispers going on. I am not sure whether Paula can clarify that. Is that 80% of all cases that go to the tribunal? Is it 80% of all cases that are published? Because the tribunal does not publish all results. What happens to the ones where the Revenue back out at a certain stage before judgment?

Q24 **Chair:** That is what I am trying to ascertain from you. How often do they back down on the steps of the court without putting any new information or arguments?

Keith Gordon: In my experience, 10% of the time. Obviously, I only see one small fraction of the caseload.

Q25 **Chair:** You are saying that in 10% of cases they have got it wrong, and when it is put to them they have got it wrong, in essence, they back down.

Keith Gordon: They back down, but often at a pretty late stage. A recent example I had was someone who was sent a follower notice; there was a penalty for non-compliance with the follower notice. Without realising the significance of it, the taxpayer had phoned up the officer two and a half years earlier and said, "I have not received it", thinking that might give them a reasonable excuse. The note of the conversation taken by the Revenue officer said, "Well, you will just have to go to appeal and see what the tribunal thinks".

A few months later, his accountant made a similar representation in writing and it just kept on being ignored. I got involved and I said, "It is not a question of reasonable excuse; if you have not received a follower notice, there cannot be a penalty, full stop, because the penalty operates by reference to how long after the date of receipt you have failed to comply". When we went to the tribunal, we made the point on the forms, "We have not seen the follower notice; it has not been received". Around about Christmas time we got a witness statement from the Revenue saying that we must have received a follower notice, because this is their process and therefore it is without fail that we received the follower notice. We put a witness statement in return; the Revenue then dropped it.

Q26 **Chair:** This is my final question at this stage before I bring in Charlie. I will ask you this, Mr Gordon, as a barrister doing these cases. Do people who are comfortable with and can afford specialist navigators such as



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Grant Thornton, and who then instruct specialist barriers such as yourself, have a significantly better chance—and even a disproportionately better chance compared with everybody else—of beating the Revenue?

Keith Gordon: In a global sense, I would say yes, but I want to qualify that. If someone is unrepresented and goes to the tribunal, I am pretty sure that the tribunal will bend over backwards within their remit to give them a fair hearing, but a fair hearing still requires that taxpayer, as a witness, to explain the facts that will tick the boxes. The tribunal can help, but it cannot actually force the answers and the information. That is where the individual unrepresented taxpayer is at a disadvantage, if they cannot engage pro bono assistance.

Chair: Indeed, yes.

- Q27 **Charlie Elphicke:** Paula Ruffell, are HMRC processes for resolving tax disputes, including the litigation and settlement strategy, just layers of bureaucracy, or do they provide a useful framework within which HMRC agents and taxpayers can understand what they are required to do to resolve disputes?

Paula Ruffell: It is a useful framework; however, I am not sure it works as well as it could. In particular, what I have noticed is that people who have not been within HMRC do not know the governance processes that have been put into place, so there is a lack of transparency in relation to where you are in that process. People do not really know what stage they are at and whether the case has already been considered and weighed up properly. Keith has already taken you through some of the difficulties where procedural rules, for example, have not been met. That is recognised.

There are other issues. There are other governance boards, for example, that need to make decisions at different points. That is not clear to unrepresented taxpayers.

- Q28 **Charlie Elphicke:** Outside the formal process, how easy is it to escalate concerns to more senior levels in HMRC, if an officer is taking the wrong view of the law or not handling an enquiry properly? Can you answer that from the perspective of when you were inside and also your perspective now?

Paula Ruffell: It is getting increasingly hard. I joined HMRC in 2006; at that time, there were 170,000 HMRC employees. I left in 2015; at that time there were 60,000 employees. Resources are a huge issue for HMRC. There are only a small number of technical and policy specialists and 200 lawyers within HMRC. When issues need to be escalated to those kinds of decision makers, who actually control the governance processes, it is quite difficult, so bottlenecks have built up.

The other issue is that if you appeal it, there is also a bottleneck there. They are not getting heard for about a year. In terms of certainty and



resolution, it is getting longer before you can actually get a proper decision.

Q29 Charlie Elphicke: Mr Gordon, in your experience, do taxpayers or agents feel the officer they are dealing with is a decision maker who has the authority to decide key issues and give an authoritative statement of HMRC's position, or do they just have to pass everything up the chain all the time?

Keith Gordon: From my perspective, one gets the feeling that the people who are writing the letters are simply doing what they are told. I might be completely wrong about this, but you certainly get the feeling that they are just feeling pretty blindly and seeing what they can get out of the taxpayer, but any decision is further up the chain. It is possibly just one layer up, but the person who is really controlling the case—the puppet-master, if I may use that expression—is not the person whose name appears at the bottom of the letter.

Q30 Charlie Elphicke: Are there concerns that the apparent direction of travel of discussion with HMRC that you think you are having can suddenly switch tack as a result of governance going on behind the scenes? This would be the puppet-master pulling different strings.

Keith Gordon: I have not seen that, actually. From my experience, the cases do generally go down a particular route. It might be completely inconsistent with what the Revenue is saying in another case, but, on a particular case, you get the feeling that you know which way the case is going. There might be a sudden change, but you do not necessarily know whether it is a governance issue or whether it is simply a change of mind because of another case. However, I do not feel that the puppet-master is going to change direction suddenly just to be capricious. That is my only experience.

Paula Ruffell: Within HMRC and in my experience of working at HMRC, generally what would happen is that a caseworker should consult policy and technical specialists where the area of law requires them to do so. There are some very international themes such as transfer pricing or permanent establishment that larger corporates are very familiar with but probably some of the taxpayers that we have been talking about would not be familiar with. They would not occur in their normal self-assessment tax returns. In those processes, the policy technical specialists are very much used as sounding boards throughout the case, where it is handled well.

There are instances where it is handled badly and they are not consulted in that way, and then you might get a bit of a surprising decision when it does go to a governance board, but on the whole the caseworkers are aware that that governance procedure exists. The frustration from the taxpayer's perspective is that you do not get to see where it is going and make representations to each of the boards.



- Q31 **Charlie Elphicke:** There is a concern that taxpayers' and agents' views are not fully and properly represented when cases are considered within HMRC's governance processes—for the minnows, not the big fish.

Paula Ruffell: Certainly, that is a common frustration.

- Q32 **Charlie Elphicke:** Victoria Todd, how well does the litigation and settlement strategy work for unrepresented taxpayers? Does HMRC ensure that unrepresented taxpayers are given timely and accurate advice about the law, their rights and where they can find guidance and assistance?

Victoria Todd: I would say that most unrepresented taxpayers would never have heard of the litigation and settlement strategy. As I said earlier, in our submission we highlighted that in the strategy, although the guidance says it applies to everybody that HMRC deals with, there is no specific mention of unrepresented taxpayers; there is no mention of the support services, like the needs enhanced support service that HMRC run; there is no mention of the HMRC charter in terms of rights and responsibilities. We think it could certainly be strengthened to cover those situations.

In terms of guidance and support, it falls short of where we would think it should be, particularly online. We have a number of issues we have been raising around gov.uk and the level of information provided. A lot of the cases we see do not involve legal issues; they are mainly about judgment decisions, which are more subjective, around reasonable excuse. Most of the people we are in contact with do not know what is available to them, so they do not know about reasonable excuse; they do not know about special reduction. As I say, in preparation for this hearing I went through the process as if I was having to deal with a penalty appeal and looked at what information and guidance I received. Much of it relies on the HMRC decision maker considering whether there is a special circumstance or considering the issues, because the taxpayer does not have enough information to request those sorts of things.

- Q33 **Charlie Elphicke:** How good is HMRC at identifying taxpayers who may not be able to cope with a tax enquiry on their own and need additional help and support?

Victoria Todd: We have been very supportive of the needs enhanced support service that I mentioned, which effectively replaced the network of enquiry centres. From all the reports we get, that team is excellent, but they only become effective when they have identified that need. That relies on everybody else in HMRC who is coming into contact with people to recognise that there is an issue. That is where we feel things fall down.

There was a recent tribunal case, the Sandpiper case, where the judge highlighted that having all of these things in place is fine, but it is of no use if staff either ignore or are not aware of the processes. As I say, the help is there within that team, but it relies on the people on the frontline being able to identify issues. To be fair, HMRC have a difficult job because



when you are dealing with people it might not be obvious that they have a mental health problem or they might not want to disclose it. Sometimes you are looking for something they have said to give you a clue that there might be a problem. It is not always easy, as our experience and those cases show.

In that particular case, the gentleman told HMRC several times in his letters that he was deaf and he could not speak to them on the phone. The reply that kept coming back was, "We cannot move this payment to another system. You need to ring the PAYE helpline and speak to them". That came back in several letters. Like you say, it really does depend on who you are dealing with, but they could do more to educate staff about the awareness of the NES team.

Q34 **Charlie Elphicke:** Finally, could the way in which HMRC manages and conducts enquiries be improved to better reflect the needs of unrepresented and vulnerable taxpayers? How would you do that?

Victoria Todd: We do not get involved in enquiries very often. When I saw the questions for this inquiry, I went back over our website queries for the last couple of years. We have not had anything in relation to enquiries. I also spoke to TaxAid, who said they rarely get enquiries and, when they do, they have to outsource that sort of provision. I do not have any information about day-to-day operations.

Looking through the material, the deficiencies in the materials that accompany the enquiries are the same as we see in other areas, so they do not make it clear what special circumstances are and they do not make it clear what factors might influence the process. It is not always easy to identify how you contact HMRC to tell them about the problems you might be having.

Keith Gordon: Can I just supplement that? My observation would be that the one improvement HMRC could make is to go into the process with an open mind. I just get the feeling that they have predisposed themselves to the fact that certain tax is payable or a penalty is payable, and they are going through the motions. Even when they do get responses from the taxpayer or on behalf of the taxpayer, they are not actually really listening; they are just simply reiterating, "We think this is true", or, "We think our position is correct". That is the problem that many taxpayers find: they do not feel that HMRC is actually listening to them; HMRC is just going through the motions in order to wear them down.

Paula Ruffell: I would just add a further point, if I may. One of the frustrations we have is that HMRC does not appear to act in a very joined-up way. For small and medium-sized enterprises—the companies we help—and individuals as well, often they will be dealing with a variety of inspectors. They will not have access to a customer compliance manager, which replaced the CRM regime. They need to learn about the process for each of the taxes. Prior to coming to this hearing, we actually



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looked at how many pages of tax code there are: there are 21,062 pages of current 2017-18 tax code, which more or less occupies half my size if you stack it up. That is a lot of code for any of us to wrap our head around, but that is quite hard if you are dealing with unsophisticated taxpayers in particular.

Q35 Rushanara Ali: Good afternoon. I just wanted to pick up on some of the issues that have been raised about vulnerable customers and penalties. Ms Todd, do you have a breakdown from your organisation of the number of people who are vulnerable who get given penalties? Have you done much work on that and how that is done?

Victoria Todd: No, we do not have any breakdown beyond what is published by HMRC. No, we do not have anything. I probably should caveat that. Obviously, the people we see are situations where things have gone wrong. By the nature of the tax charities as well, you will see cases where things have gone wrong, so we do not hear about those cases where somebody might have said, "I have a reasonable excuse", and it has been accepted in the first instance.

Q36 Rushanara Ali: Ms Ruffell, are there equivalents? Do you have any insights or information into your client base and what their experience is of charges and penalties, how many people are affected or what sort of difficulties they come across? Sometimes small businesses can run into difficulty because they have not done the things they are supposed to.

Paula Ruffell: Yes, what we are seeing is a bit of a sea change. HMRC seem to be taking a bit more of an aggressive stance on penalties. What we have seen them do is actually start with a presumption that there is deliberate default. There are some bits of tax code that lend themselves to fixed penalties applying, i.e. for late filing. However, there are plenty of other instances where penalties ought to be applied only where there is careless or deliberate behaviour. When HMRC starts on the deliberate end of the scale, it can be quite hard to change their mind and actually explain why the behaviour was actually reasonable or why proper care was taken.

Q37 Rushanara Ali: Do they make that presumption of deliberate behaviour for vulnerable customers? Is that your experience as well?

Victoria Todd: What we have seen is a presumption that the person has acted either deliberately or carelessly. You have to then put forward arguments to show why the person took reasonable care or they have a reasonable excuse.

Q38 Rushanara Ali: But do you have any numbers on how many people are affected? If not, I have another question.

Paula Ruffell: Again, it is a feeling, rather than specific numbers. We do not keep count. However, a penalty letter, a fact sheet, will usually accompany an enquiry notice and penalties are usually discussed last. In a sense, the penalty position is parked until you get to the end of the



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enquiry, at which point it will be considered.

Q39 **Rushanara Ali:** How has the landscape of penalties changed in recent years? Has it become more aggressive?

Paula Ruffell: Yes.

Q40 **Rushanara Ali:** Can you just describe how that is different from what used to be the case? Under what circumstances are there penalties? What is the maximum penalty people can pay if they miss deadlines?

Keith Gordon: If someone has made a mistake on their tax, it always used to be theoretically a 100% penalty maximum. However, before the Finance Act 2007 came into force in practice most people—this is not my own personal experience—who worked in investigations would normally be able to settle for 10% or 15% penalty. The Finance Act 2007 provisions effectively put certain scales in. I will not be able to repeat what they are off the top of my head, but effectively there is a certain range for careless conduct, a certain range for deliberate conduct but you have not concealed something, and then a higher range for outright fraud. That also originally topped at 100%, but now that has been increased for matters related to overseas issues.

Q41 **Rushanara Ali:** Let us leave the cases where, frankly, we all want HMRC to be tough: evasion, fraud etc. Leaving those to one side, let us take the cases where you have penalties for late payment, which link to some of the issues that some of my constituents face. Lots of people can fall afoul of deadlines and things like that due to circumstance or vulnerability. How has that changed the landscape for the way that people are treated? In the past was it less aggressive than it is now? Has it become more aggressive? You have alluded to some of these points already, but are there other things that are going on? What is the maximum somebody could end up paying?

Keith Gordon: Again, that was a statutory change. It was the Finance Act 2009; I think it is schedule 56 for late payment of tax. If I remember correctly, that imposes up to three lots of 5% charges. It is not an area I deal with on a regular basis, but that is all subject to questions of reasonable excuse. That is where reasonable excuse comes in. In that area, the idea is that you do not have a reasonable excuse. Whatever facts you can put forward about your case, it is not quite enough. I would go back to what I said before: I do not think there is sufficient open-mindedness.

As far as assessment in the 2007 code is concerned, whereas for innocent error no penalty might previously have been alleged, i.e. it was seen as carelessness, now I am seeing “deliberate” throughout. It is also important to realise that that terminology also relates to the time limits over which HMRC can assess back tax. Whether it was due to inherent internal problems I do not know, but there was an awful lot of tax missed around the end of the last decade. As a result, there are an awful lot of cases the Revenue should have picked up in their routine enquiries back



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in 2008-09 and they only picked up in 2013-14. They are therefore coming into the need to prove not just careless conduct but deliberate conduct. Because the Revenue need to prove deliberate conduct, they are alleging deliberate conduct and then they are interpreting the facts so as to justify that, and the penalties follow suit.

In fact, the question of what is deliberate is quite interesting. The Revenue's mindset is that there is a spectrum of conduct, and that as you become sufficiently careless, you become deliberate, whereas most lawyers seem to think there is a fork in the road at some point. Either you have not thought about it, in which case you have probably been careless, or you have thought about it and it is deliberate. So it is not actually that spectrum, but HMRC seem to interpret the facts of the case as if they were a spectrum and simply reach the conclusion they need to reach so as to justify late assessment or a penalty, remembering that deliberate penalties also allow them to do what is colloquially known as "naming and shaming", which is yet more pressure on the taxpayer if they can be accused of what is effectively tax fraud.

Victoria Todd: One area where we see a lot of cases is around late filing penalties. One of the changes is that, potentially, if you file 12 months late you can have penalties of up to £1,600, even though there might not be any tax due. For the people we deal with, that often comes as quite a surprise, and they do not quite understand it. They think they do not owe anything but they have these £1,600 penalties.

Q42 **Rushanara Ali:** Do you know how many cases like this exist? Would you know?

Victoria Todd: I do not have any figures for how many would come under that heading. The Revenue issued a discussion document in 2015 to talk about the penalty regime, and nothing has come of that. One of the points that was made then was that the reason why these penalties are automatic and are geared with time is that the safeguards that are in place—reasonable excuse, the special reduction and the suspension of penalties—should help people who are unrepresented and who have tried to be compliant but made some sort of mistake. It is still difficult to explain to somebody why they have a penalty.

Q43 **Rushanara Ali:** How many people lack awareness and understanding of the tax system? How many people in the population are in that category where they do not know enough about how to navigate through the tax system? Certainly I come across this in my caseload. I have just recently helped somebody have a cancellation of thousands of pounds of costs that were passed their way by HMRC. It turned out that there were problems with that number. Lots of people find themselves in that situation. They do not always go to see their MP or go to see organisations like yours, but do you have a sense of the scale of the problem of people who are in that sort of category where they do not know enough about the system and how to navigate it, and then find themselves in trouble unwittingly?



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Victoria Todd: I do not have any numbers on that, but what we find is that there is a trend of people who have not had any need to interact with the tax system in their lives. They have had a relatively stable job as an employee or they have just had no reason to get involved. Then, because of changes in their circumstances, they have now had to do something. Maybe they have become self-employed.

Q44 **Rushanara Ali:** Ms Ruffell, from your experience of working in HMRC, would you be able to add anything to that?

Paula Ruffell: Most people are employed and tax is deducted at source; they do not really have to consider a self-assessment tax return. However, as soon as you become a director or self-employed, it is incumbent on you to fill in a self-assessment return, and the burden is on the taxpayer to do it. If they do not do it, they will potentially be fined or penalised for failure to file or failure to assess.

Q45 **Rushanara Ali:** That is more straightforward, though. HMRC would usually notify them of what they need to do.

Paula Ruffell: Not necessarily, no. Right now, we have lots of people, for example, starting to use Airbnb, Amazon or eBay. All those are things—

Q46 **Rushanara Ali:** Do you think they should be letting people know? Is there not a need for HMRC to do more to make people aware in respect of the sort of things that are changing in society, where people may not realise they have to do these things?

Paula Ruffell: Complexity is one of the issues that really concerns us at Grant Thornton. We think the tax code is too complex and needs to be simplified. Ignorance of the law is no defence, and we accept that. However, when we ourselves struggle to navigate 21,062 pages of tax code, how is Joe Bloggs on the street supposed to do the same?

Q47 **Rushanara Ali:** In HMRC's single departmental plan, one of its key objectives is to maximise revenues. Is it doing that at the expense of hurting vulnerable people? Does anyone want to come in on that?

Paula Ruffell: That might be part of the reason why it is being more aggressive on penalties. Actually, the figures can go up to 200% or 300% for some of our clients who have overseas assets, depending on which jurisdiction you are looking at. Certainly we are seeing a more aggressive stance being taken.

Victoria Todd: It is maximising revenue at the same time as it is facing cuts in resources, which is something you mentioned earlier. You have to set that against it as well, in terms of time with interaction.

Coming back on that point, one of the things the strategy says is that the ideal thing, of course, is to avoid these disputes in the first place. You do that by providing guidance, help and support and education to people. That is definitely one of the areas HMRC are not strong on: educating people to avoid these disputes in the first place and pointing them to help



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and advice. If you look at all the letters that go out to people and the communications, they do not say, "You can go to Citizens Advice. There are tax charities. You can get help in these places". There is nothing like that in any of the initial letters, and they do not tell people about that until quite far along the debt recovery line.

Q48 Rushanara Ali: You are kind of heading in the direction of suggesting that HMRC could actually be making matters worse for heavily indebted citizens, because it is just too rigid in the fact it is not doing those things when it could be.

Victoria Todd: I am saying that there is more it could do to help and support people earlier in the process. To avoid a dispute is best for everybody. There is more it could do at that end of things, yes.

Keith Gordon: I was going to go back more to the point about public education. I remember reading a case fairly recently with someone who was new to this country, setting up in business and held not to have a reasonable excuse for not notifying HMRC. It is very easy for people who have day-to-day involvement with the tax system to say, "Of course you are supposed to do it". But there is a huge gap across the country, especially with people who have not necessarily been educated in this country, in respect of not knowing that.

Things are worse because of the fact that town centres used to have enquiry centres. Even if tax was not necessarily at the front of your mind, when you did your weekly shop you might think, "Actually, maybe I should just check". Now HMRC is invisible to the average person. Whether it is right or wrong, people might find it harder to think about their tax obligations because they do not see HMRC until it is far too late.

Q49 Rushanara Ali: There are recent cases of tax-related matters and immigration. I do not know whether you are familiar with these. These are cases of people whose immigration status has been affected by the fact they did not fill in the correct forms and so on. Your point is very valid. Lack of awareness can end up damaging people's lives beyond what happens with HMRC.

Keith Gordon: Absolutely, yes.

Q50 Rushanara Ali: On this point—it is partly related—about discretion, is HMRC's view that the discretion it has to operate under its collection management powers is too restricted? There are obviously downsides to widening the scope of the discretion, but misunderstandings happen and then of course, understandably, it is wary about the taxpayer saying, again, "You have applied the discretion in the wrong place". It is obviously in a challenging position to make that judgment, but is it too restricted at the moment, given that there are lots of cases of particularly vulnerable people who end up with big tax bills?

As I say, only a few weeks ago I had to deal with a very distressed constituent who was asked to pay thousands of pounds. They have had to



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reverse that decision, and that is because the constituent came to see me and I was able to compile the evidence base, but it is really difficult and complicated, when you are dealing with things that are very much later on, to disentangle this stuff.

Victoria Todd: It has the discretion and the flexibility. Sometimes it does not always use it. The cases you are talking about are the difficult ones. That is why people do better when they can get representation, whether it is from charities or they can pay for advice, because they can help the person put the best case forward. It is not necessarily that the powers it has are not enough. Within penalties, we have reasonable excuse; we have special relief; we have all of these things that can help people. You have to understand the things you need to provide to access those things. It is not an issue of the powers.

Paula Ruffell: On the collection and management front, effectively one of the things our clients are often really concerned about is paying money. Once you have reached a settlement, you then have to agree time to pay. Most taxpayers will not necessarily be aware of that. The default position is that you get a bill and you have to settle it within 30 days.

Q51 **Rushanara Ali:** Yes, and it can be thousands of pounds. It can ruin someone.

Paula Ruffell: Yes, it can be thousands of pounds that you were not expecting, because you did not know that you had underpaid tax. One of the frustrations there is that time to pay is often not given if you cannot afford it. If they cannot make a monthly deduction from, say, a salary—and most of the clients that really need it probably do not have a huge buffer in their monthly outgoings—HMRC seems to be not very creative. In one of our recent successes, I guess, one of our clients did not have cash flow but did have a couple of properties. We suggested that HMRC consider putting a charge on those properties as an alternative. Thereby they would be put on the market, the cash would be given to HMRC and the tax would be settled. However, it would be at a timescale that was much better and more advantageous to our client.

That is something that HMRC would never suggest, so that is where your advocacy point comes into play. Those are the kinds of representations we can make to help our clients.

Q52 **Rushanara Ali:** I have one final question. Is there an issue about culture in HMRC? You mentioned training earlier. Is there an old-school attitude about the taxman? The fear factor is still there; it is still prevalent. It is still behaving like the bogeyman for the citizen, and it feels it has to keep up that sort of persona. It affects the way HMRC interacts with society. There needs to be a radical culture shift, certainly with the ordinary people who actually struggle with some of the complications you mentioned. If staff struggle with it, the rest of us lesser mortals would struggle.



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There needs to be a fundamental rethink about how the institution operates, relates to and engages with society, if it is to be a more humane institution that does not create more problems, particularly for the vulnerable and those who are less savvy about how the tax system works. Is there something much more fundamental that needs to happen, or is it about tweaking and tinkering?

Victoria Todd: The unrepresented taxpayers we see certainly have a perception of HMRC that makes them quite scared to interact. It is interesting. In the independent review stage, HMRC did some research around why people either do or do not go to tribunal after that stage. 15% of those people, the majority of whom are unrepresented, said they would not take the decision to tribunal even if they thought they could win, because they were scared of HMRC. There is definitely that perception there. As you say, taking the enquiry centres and that kind of face-to-face facility away has probably made that a bit worse.

Keith Gordon: You made an interesting point about the old fashioned fear factor of the taxman. For people of my age who remember district inspectors, it was actually quite a different relationship, in that many practicing accountants had good relations with their local tax office. It was not cosy deals; it was sensible commercial arrangements. We can probably all remember the images of Hector the Tax Inspector. Yes, I can accept that in the 21st century it is not appropriate for him to be white, male and middle-aged, but nevertheless it was a slightly more benign Revenue than we have now. One of the difficulties the Revenue has at the moment is that it is actually alienating the people who would otherwise want to comply.

Q53 **Mr Clarke:** Thank you all for coming in this afternoon. To continue this point about HMRC becoming much more aggressive, which is something you all alluded to in written testimony, and others have alluded to it as well, when did this occur? When did this transition happen? I am trying to understand. Was it something in 2015? Was it in the 21st century? How recent is this change?

Paula Ruffell: It is a very good question. I left HMRC in 2015.

Mr Clarke: That may have been the change.

Paula Ruffell: I can only speak about it before then because I am now on the other side of the fence, as it were. Certainly I was surprised, on the other side of the fence, at the kind of letters and points that were being taken.

Q54 **Mr Clarke:** But you must have seen those letters being sent out when you were on HMRC's side of the fence.

Paula Ruffell: But the Solicitor's Office only deals with the most complex cases, where legal opinion is being sought. Within HMRC I would often act as that third pair of eyes and give a sense-check of a view. There were obviously cases that had no prospects and would go no further.



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Q55 **Mr Clarke:** Keith, what would you say on that subject?

Keith Gordon: I would say at the beginning of the 21st century. There was definitely a toughening-up of the Revenue. There was a case I was involved with that went up to the House of Lords, which is often known as Arctic Systems. An earlier Financial Secretary to the Treasury, now Lord Lamont, when introducing legislation at the end of the 1980s made it perfectly clear that there was a particular consequence of independent taxation. Up to the beginning of this century, there were plenty of cases where you had, again to use an expression, husband-and-wife companies where one partner was doing the work but had 50% ownership of the shares. Dividends came out; it was the most tax-efficient way of taxing the family; and no-one had any issue.

All of a sudden the Revenue changed its mind. I personally take the view that, had the Revenue said, "This is our view from 2003 onwards," it would have got away with it. But someone in the Revenue decided to go back six years, and that was what spurred the case to go up to the House of Lords. It was effectively a cause célèbre within the personal tax area. I saw that as an indication or a toughening-up.

This is also true for some of the anti-avoidance measures. I am not saying it is necessarily wrong, but I think with DOTAS, the disclosure of tax avoidance schemes, in 2004 you could just see that things were being notched up slightly. 2005 was when we had the merger of the two departments. Whist I generally specialise in direct tax, I always had the feeling that the slightly more aggressive side of the fence was the VAT officer. That attitude has taken over. It was in 2008 the then Permanent Secretary for Tax, or whatever it was called then, Dave Hartnett, made a public announcement that he saw HMRC's job as maximising the revenue. I saw that as a very dangerous change. From collecting the right amount of tax, it was now collecting the maximum amount of tax.

People can finesse the two quite happily, but I would say that the general experience of my clients and people I hear about is that the Revenue is interested in getting as much money as it possibly can for the Exchequer, whether it is right in law or not.

Q56 **Mr Clarke:** What I am trying to understand, I suppose, is whether it is being driven by the exigency of the public finances and the headcount reductions, to which we have already heard allusions, or whether there was a cultural change that preceded that. In many ways it does not excuse it either way, but it does help us to understand how it might be addressed. If it is something that is not a product of necessity but is of volition, that would probably be more easily resolved.

Keith Gordon: It preceded it. I am pretty confident it preceded it, but the financial crisis of the last 10 years has made the Revenue's job easier or made it harder for people to want to fight the Revenue.

Q57 **Mr Clarke:** Victoria, a customer survey carried out in 2016, which



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marked off how HMRC was rated against its charter commitments, had a pretty disappointing series of findings. Only 35% of individuals, 35% of agents and 37% of small businesses who took part thought HMRC applied its penalties and sanctions equally. Would that be a fair description?

Victoria Todd: I am not aware of the survey data. In terms of the charter commitments, I said earlier that if you look at the strategy there is no mention of the HMRC charter. The majority of people we come into contact with have never heard of the charter. We encourage people to hold HMRC to the charter in terms of challenging decisions as well as using the legal processes that are in place around reasonable excuse.

Coming back to the point you were just discussing around resources, LITRG was set up 20 years ago because it was recognised that there was a need to support unrepresented taxpayers. Some of the issues we are seeing now are the same issues that were identified 20 years ago that caused us to be set up. As time has gone on, resources have become tighter in HMRC and they have lost their enquiry centres and public face, that has led to more pressures in terms of dealing with these cases, so those survey results do not surprise me. The charter is really disappointing, because a lot of work went into making sure it was there on a statutory basis and it had backing, but, as I say, you rarely ever see it mentioned by HMRC.

Q58 **Mr Clarke:** Do they report on it annually?

Victoria Todd: Yes, there is a report on it published annually, and they have a charter committee that looks at performance against the charter. It is just not used. I also think it is not used internally as well as it could be. When they are making decisions or when they are thinking about policy changes, the charter is a really important document. That could be used more widely, both internally and for people externally.

Q59 **Mr Clarke:** I suspect we will be asking them about the charter in due course. Keith, you had a firecracker of a quote in your written evidence. "It saddens me that a fundamental aspect of this country's economic wellbeing is no longer functioning in accordance with principle or fairness but merely on who has the deeper pockets". That is paragraph 7.

Keith Gordon: Yes.

Mr Clarke: What makes you say that? That is a very, very serious allegation to make against HMRC.

Keith Gordon: Because I see the Revenue certainly giving the impression, when writing to taxpayers or taxpayers' advisers, that it has the position, "If you want to fight it you can, but it is going to give you adverse publicity and it will cost you". In other words, taxpayers are being forced into a position of paying to get the Revenue off their back. It is as simple as that.

Q60 **Mr Clarke:** If they do decide to fight, how effective is the review system



for complex cases in your experience? I mean leaving aside those cases that are open-and-shut issues of filing.

Keith Gordon: Do you mean the internal review system?

Mr Clarke: Yes.

Keith Gordon: If it is a question of tax policy, it is a waste of time, because the internal reviewer still has to abide by HMRC's view on the law. Therefore even HMRC will accept that it is not necessary and not appropriate—or, rather, not that it is not appropriate but that it is not going to criticise you or expect the tribunal to criticise you for not taking that stage. If it is a question of policy, you might as well go straight to the tribunal.

As far as questions of fact are concerned, I would say more often than not it is an internal rubber-stamping exercise. I gave one example regarding a schedule 36 information notice request, where I would have hoped that the internal reviewer, with whom I had dealt with in a previous case, would actually realise there had been a fundamental mistake. I just felt the internal reviewer should have said, "Does that document exist?" That is what allows the case officer to push the case forward. It did not. The internal review system is not working as well as it should.

Q61 **Mr Clarke:** Would that be your take on it as well, Paula?

Paula Ruffell: Yes, I would support that. On the whole, even though they do take time to consider the case and are supposed to consider it objectively, more often than not whatever decision has been made tends to be upheld.

Q62 **Mr Clarke:** One of the things we picked up earlier—and I will not go back to it now in full because we have addressed it—was the fact there is not sufficient information provided earlier enough in the process about the options and the entitlements you have to defend yourself, but one thing I wanted to pick up on was from the Grant Thornton written evidence: "We have experienced many instances where HMRC have requested information that they are not entitled to in law. Responding to such requests is often burdensome and costly. We recommend that HMRC ask itself more carefully whether it is entitled to specific documents, rather than requesting any or all documents". That seems a particularly important point to raise in this context. It is not so much that people are not being told how they can appeal decisions, but it may well be that they are in fact being asked for things that the authority has no right to ask for. I just wanted a bit more evidence on that.

Paula Ruffell: Yes, absolutely. We were concerned recently when a couple of our clients received a mailshot letter—"Mailshot" was in part of the reference. It suggested that clients provide evidence on whether they were within the Senior Accounting Officer regime or within the tax strategy legislation. Both regimes are in law, i.e. they are statutory regimes. If you are within them, you are required to abide by them, and



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they have notification processes already set out. It was an extra-statutory request. They asked, "Will you let us know within six weeks whether you fall within these regimes?" That is quite a short time period as well. It struck me as edging towards abuse of power, asking taxpayers to provide information HMRC is not entitled to. If they were to provide it and were not ready to abide by the statutory obligations, it would expose them to penalties for failing to notify etc.

We have also seen instances where there have been companies with sister companies abroad, so in extraterritorial jurisdictions outside of HMRC's powers, again being sent letters asking them for significant amounts of information where, again, there is no entitlement.

Q63 **Mr Clarke:** In your experience, having worked in the Solicitor's Office, is that arising from error or frankly because they think they can and, therefore, they will?

Paula Ruffell: Certainly, fishing expeditions have always taken place.

Q64 **Mr Clarke:** Is there a culture of fishing expeditions?

Paula Ruffell: No. Certainly the technical policy in the Solicitor's Office would try to frame requests quite narrowly to be well within the realms of the law. However, not all cases get that far.

Q65 **Mr Clarke:** It is further down the food chain, if anything, that this culture might inadvertently arise.

Paula Ruffell: That goes back to our point about governance, the transparency of the governance process and access to decision makers. You might not have the right oversight. Your case might be dealt with by a district inspector or an inspector equivalent who is not necessarily as on top of what they should be asking for and what they should not be asking for.

Q66 **Mr Clarke:** A lot of it seems to go back to the fact that we have lost that level of human interaction between the district inspector, as was, and the tax-paying public. That may not apply for the large corporates, but it certainly seems to apply for "ordinary people".

Keith Gordon: But the loss of the district inspector probably has not made things any better or worse for the unrepresented taxpayer. The district inspector was a useful cushion for local businesses.

Can I just give an example? This is not my own experience, but it is one I have heard of from someone who used to specialise in advising accountants on specialist tax matters. I remember her explaining that she had seen, from the same officer, two standard sets of information requests. Of these different sets, one went to an accountancy firm that had its own in-house tax department and one went to a firm that did not. That suggests that officers are just trying to push as many doors as they possibly can and hope they will get information.



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Q67 **Mr Clarke:** Yes. How was the set that went to the firm that did not have their own in-house tax department different from the other?

Keith Gordon: It asked for a lot more information, which they clearly were not entitled to. That was my interpretation of what was being said.

Q68 **Mr Clarke:** This is my final question, Victoria. In terms of making sure the unrepresented taxpayer gets the best equality of arms that we can provide, we have heard that there is not enough information early enough. I think the gov.uk website is pretty hopeless a lot of the time; I find it almost impossible to search for just about anything. Would you concur with that assessment? What do you want to see on there?

Victoria Todd: Gov.uk is one of the areas we are most concerned about for people. We have always had a website that we have provided information with. Since the material has been put on to gov.uk, we have gone from visitors in the tens of thousands a year to 4 million visitors this year across our four websites, which is in part being driven because people cannot find more detailed information. When gov.uk was introduced, we were promised three layers of information: the very simple, which should be fine for most people; a little bit more detailed information in layer two; and then the manuals and the detail in layer three. What we do not have is that second layer.

Even the simple information is in parts misleading; in parts it is wrong. That middle layer of information is definitely missing. We think there is quite a lot more work to do. It has impacts for HMRC. I am not quite sure why more is not being done, actually, to improve that. How can people meet their obligations if they do not have the information they need to do that?

Mr Clarke: That is a very fair question and one that we will undoubtedly be picking up on.

Q69 **Chair:** Are HMRC's debt management team integrated into the settlement process?

Paula Ruffell: No.

Q70 **Chair:** Should they be?

Paula Ruffell: Absolutely, yes. That is one of our concerns. In our experience, when you reach the end of an enquiry, you have agreed a settlement with various officers dealing with various different taxes. The whole process is not joined up, which is something our clients find incredible frustrating.

Q71 **Chair:** I understand why your clients would find it very frustrating. How can it be efficient from HMRC's point of view?

Paula Ruffell: That is a good question.

Q72 **Chair:** You do not think it is. You would suggest it is inefficient.



Paula Ruffell: It could be significantly better, absolutely.

Keith Gordon: Can I also offer a view? One of the difficulties I have seen in a few cases is that when people have difficulty paying they are not able to speak to the debt management people until they have actually formally conceded any dispute. As a result, before they can even get to the possibility of paying in instalments they have to accept that all the tax is due. Having accepted all the tax is due, they are then down to the discretion of the debt management team as to whether they can get any time to pay.

Q73 **Chair:** In other words, if they were disputing £250,000 but they were saying, "We owe £100,000, and there is no argument over the £100,000", they could be paying that £100,000 potentially while the rest is argued about and sorted.

Paula Ruffell: You can make settlements on accounts, so if you were happy that £100,000 was due it would always be open and we would always encourage our clients to settle as much tax as they were not disputing in order to mitigate any interest or penalties running anyway. That process is always open. The difficulty is actually when you cannot afford it, effectively. Not many people have £100,000 sitting in their bank account.

In the example I have already given you, where we have agreed a charge, one of the frustrations was that our client still does not have confirmation that HMRC has accepted that position, even though that was already settled a few months ago, because they have not received the letter from debt management and banking saying, "This is your final bill. You have 30 days to pay it", at which point they need to respond with another letter saying, "Yes, but we have agreed that time to pay ought to be given and this is what we have agreed". They have been on the phone trying to get debt management and banking to speak to them; they have not actually been able to get to the bottom of that.

Q74 **Chair:** Is there sufficient governance over HMRC's contact with taxpayers once an issue moves into litigation?

Keith Gordon: Everyone is looking at me. I have no idea. I am always of the view that ADR should always be considered in appropriate cases.

Q75 **Chair:** There is no obligation to act like a politician. If you do not have anything to say, do not say anything. I am very happy. Thank you.

Can I move on to a question around something you, Paula, raised a couple of times, about overseas? In this inquiry, we are taking a look at the Crown Dependencies and the Overseas Territories. If we were trying to get a good range in terms of different cultures, different systems and different levels of understanding and co-operation with HMRC—some being very co-operative and very tidy, and others being less so—without suggesting which is which, what would be good Overseas Territories or Crown Dependencies for us to invite in?



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Paula Ruffell: HMRC publishes lists of jurisdictions, and it categorises jurisdictions into three categories: category 1 being jurisdictions like the US and most of Europe. Some of the Crown Dependencies might fall into category 1, where penalties can be charged of up to 100% if tax is avoided or evaded within those jurisdictions.

Q76 **Chair:** We know the HMRC situation. I am just trying to tap in to your wisdom and knowledge. You have been on both sides of the fence. Who would be the most interesting in terms of us getting the full picture? I do not mean the ones you think are the best or the worst. What would give us the full picture? Do you have any advice for us? No. Mr Gordon, can you make any recommendations?

Keith Gordon: I cannot help with that one.

Q77 **Chair:** Never mind. If I was to ask each of you to give us one very precise way in which there could be improvements in how HMRC does its enquiries and resolves its disputes, something that we could even consider recommending to them if we were so minded and had a view in the Committee to do so; there was one thing that you regarded as particularly important or particularly deliverable—in other words, something that is so obvious that it irks you that it has not been sorted—what would it be?

Victoria Todd: For our population, it would be the point I made earlier about the needs enhanced support service. They have this really excellent team in HMRC who are used to dealing with people with various vulnerabilities and disabilities, but only if frontline people know about that and make links into that team is it effective. What we would like to see is some sort of referral within the dispute process, whether that is somebody appealing a penalty or at the review stage, to make the links with the needs enhanced support service.

Q78 **Chair:** Who would make those referrals?

Victoria Todd: The HMRC officer who is dealing with the case.

Q79 **Chair:** You would like this to be built into the system.

Victoria Todd: Yes.

Q80 **Chair:** Would it be an automatic referral?

Victoria Todd: They call them “drivers of need”. There is a list of them. If there is anything in what they have been sent that suggests this person needs some additional support, there should be a referral. In the communication letters, when you get a review letter coming back to you, there should be something in there about where you can get help, both internally with the needs enhanced support service and also externally. That is what I would like to see.

Q81 **Chair:** What would you like to see, Paula?



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Paula Ruffell: One of the biggest frustrations is the lack of joined-up-ness. It makes it much more complex. The process could be simplified by actually making sure you have a single point of contact. Large businesses have it in their customer compliance manager, but because of the resource and the shaking of HMRC, the rest of us have to rely on telephone calls, often to automated voicemails or to an inspector with no knowledge of our own tax affairs. That can be incredibly frustrating. Because of that lack of a point of contact, as well, you do not feel like you have access to decision makers. For us it would be joined-up-ness, simplicity and access to someone who can actually help you make a decision.

Q82 **Chair:** You are asking for a single point of contact who can help you make a decision.

Paula Ruffell: That would be ideal. That is probably a big ask, but at least I would want a single point of contact

Q83 **Chair:** If it is a big ask, might it be unrealistic? We can ask for the world, but we are more into what could actually be delivered. Perhaps you think it could be delivered. If so, how?

Paula Ruffell: It would not be hard for the left hand to speak to the right, and for all taxes to be dealt with more or less at the same time. They all have to be dealt with in a self-assessment tax return at the same time.

Q84 **Chair:** You want a single point of contact. The bit I am not getting is whether that would always be a decision maker.

Paula Ruffell: It may not be; having a decision maker may be too much of a big ask.

Q85 **Chair:** I am trying to tease something out. I understand your ideal. If it was not a decision maker who was the single point of contact, you would still regard that as a significant improvement.

Paula Ruffell: Yes.

Chair: If it was a decision maker, that would be even better.

Paula Ruffell: Even better, yes.

Keith Gordon: One improvement that could be made to the system is that the officers should realise they are dealing with real people. They should keep an open mind and think about how they would like to be treated. There is a dehumanisation in the process.

Q86 **Chair:** You are talking about a change in governance.

Keith Gordon: Cultural change, yes.

Chair: You mean cultural change across the whole of the organisation.



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Keith Gordon: Indeed, yes.

Q87 **Chair:** Would this be driven by the Minister or by the Chancellor?

Keith Gordon: It would be driven by Parliament and the press, and effectively just making it clear that an aggressive HMRC that treats ordinary taxpayers as if they are criminals is not the best way forward.

Q88 **Chair:** This will be driven by Parliament and the press.

Keith Gordon: Absolutely.

Q89 **Chair:** Would that we had the ability to take the press with us at all times.

Keith Gordon: It all goes back to what I was saying before about the culture change with the financial crisis. It is no longer quite so attractive to be seen to be taking a position against HMRC. That has been down to effective management of the press and management of politicians or guiding politicians as to what is a politically attractive position. I do not wish to criticise the Committee.

Chair: No, by all means criticise us.

Keith Gordon: Over the last 10 years, we have seen layers and layers of anti-avoidance legislation, possibly all trying to crack open a nut that was long eaten up by a squirrel, yet there is still the idea that the Revenue needs more and more powers, some with retrospective effect, trying to show that Parliament is taking a strong line against avoidance. It must be difficult for a politician to stand up for the tax avoider. I would not necessarily want you to, but the point is there has to be some way that HMRC realises it is no longer getting every politician to back it up for everything it does to normal people. You might come back to me and say, "No, we are always"—

Chair: Rushanara is about to come back to you.

Q90 **Rushanara Ali:** The danger of your initial statement here is conflating going after tax avoiders and evaders, which is legitimate and right and for which we are not going to apologise, with making sure the response of HMRC is appropriate and proportionate, so that ordinary people, as you rightly point out, are not suffering the consequences of a bigger agenda that needs to be pursued. It has to be proportionate and fairly done.

One of the things we have continued to ask HMRC—and we will carry on doing it—is whether it is putting the right emphasis in the right places and going after the right people, or whether it is going for the lowest-hanging fruit and the easiest people to pursue. They are often UK citizens where it is a lot clearer and easier to pursue those people. That was certainly the line of attack we have pursued in the past, certainly when I was last on the Committee, and John and others have done the same.

We just need to segment these issues. Today's hearing was really helpful in recognising that, because you are certainly not going to find supporters



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in terms of dealing with the wider issues. I fully support HMRC's response to going after major tax avoiders and evaders. We are right to do that. It is the unforeseen and unintended consequences that we are really interested in. Are there appropriate resources to make sure there is the culture change? How does it avoid and mitigate against people being treated unfairly? That is a major concern for us.

Keith Gordon: If time were not running out, I would have an interesting debate about the definition of tax avoidance. I am not a fan of it either. I always worry about where it is defined, though. Is it being defined in 2018 with 2018's eyes, or in the eyes of what is actually being done at the time? Perceptions have changed.

Chair: That is a good point to end on. If there is anything majorly philosophical and/or very precise that, on reflection, you wish you had said, or you are triggered by anything further while this inquiry is going on that you think would be of use to us, please do write to the Committee. We would welcome that. Can I thank you for your submissions? You have put in some excellent submissions to stimulate our thought. Can I also thank you for coming and sharing your views and your wisdom this afternoon? Thank you very much.