

**Consultation on an inquiry into the collection of devolved taxes
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 We would expect the Welsh Revenue Authority (WRA) to retain ultimate responsibility for the collection and management of devolved taxes even if this is delegated to an external organisation(s).
- 1.2 We acknowledge that it is difficult for the WRA to develop a tax system when it is not yet known which taxes, if any, will be devolved in the future. However, we would recommend that systems are put in place now which can be developed easily to collect and manage any future devolved taxes with the minimum of disruption to Welsh taxpayers.
- 1.3 We recommend the use of a Taxpayer's Charter to ensure a consistent standard of service by the WRA and any external organisations.

2 About Us

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving

the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.

- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 Introduction

- 3.1 We welcome this opportunity to respond to the Finance Committee's consultation on the collection of devolved taxes in Wales. It is important to decide the fundamental principles on how tax should be collected and managed even though it has yet to be decided which taxes will be devolved alongside Stamp Duty Land Tax and Landfill Tax.
- 3.2 Although LITRG primarily focuses on income tax, and that is currently not being devolved to Wales, we understand that the framework for the collection and management of devolved tax may include income tax if this is devolved in the future. Therefore our comments in this response focus on developing a tax system which will be fit for purpose if further taxes are devolved.

4 Who do you think should be responsible for the collection of Welsh taxes?

- 4.1 We are not in a position to recommend a particular organisation to whom the WRA could delegate responsibility for the collection of Welsh taxes. However, there are certain factors the WRA should consider when choosing an organisation, these are explained below.
- 4.2 The WRA should have ultimate responsibility for the collection and management of devolved taxes, and part of this responsibility is to ensure that third party organisations exercise compliance and operational duties effectively. Therefore, any organisation providing a service to Welsh taxpayers must adhere to the duties drawn up by WRA.
- 4.3 We recommend that the WRA should have a process of performance review and third party organisations fully comply with the requirements of the Taxpayers' Charter and WRA's duties. We would expect that upon request, a memorandum agreement of delegation between WRA and the third party organisation, will be provided.
- 4.4 Ideally, the chosen organisation(s) will have experience in dealing with the general public including vulnerable people who may require additional help. There should only be delegation to organisations with proper safeguards in place and who also provide appropriate training to staff.

- 4.5 We do not support any 'payments by results' to third parties with respect to debt collection. We understand and agree that WRA will want to collect outstanding tax which is due to the Welsh Government. However, we would recommend that any organisation responsible for the collection of Welsh taxes is paid independently of the amount they are able to collect.

5 Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?

- 5.1 As explained at 4.1 above we are not in a position to recommend a particular organisation to collect and manage devolved taxes in Wales.
- 5.2 We are concerned that changes from the existing established system may result in confusion for unrepresented and vulnerable taxpayers. If the WRA were to use different organisations for the collection of Stamp Duty Land Tax and Landfill Tax then there would be two additional organisations for taxpayers to deal with. However, if the external organisations are already involved in the property transaction or landfill processes then this may not be a particular issue. For example, it may simplify the process if a solicitor only has to deal with an organisation they already work with as part of a property transaction. However, we have concerns if further taxes are devolved in the future, that there may be additional organisations involved in the collection of these taxes who are not already connected with that particular tax or transaction.
- 5.3 Therefore, it is essential for the WRA to consider the potential number of different organisations a Welsh taxpayer may have to interact with. Overall, we recommend that the fewer organisations the taxpayer has to liaise with, the less likely it is that there will be confusion with the transition to devolved taxes.

6 How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?

- 6.1 Organisations such as Local Authorities and HMRC will have significant experience in collecting council tax, business rates and other taxes. There will be certain areas in which these organisations will be able to assist the WRA, for example, knowing which locations have poor internet coverage so taxpayers residing in these locations may have difficulties with filing returns online. Also, these organisations may have systems in place which could assist with the collection of tax, for example, HMRC have recently introduced Needs Enhanced Support (NES) to help vulnerable tax payers.
- 6.2 However, while there are advantages to using established organisations the WRA should also consider their objectives and requirements for the collection and management of the devolved taxes as these may differ from what Local Authorities and HMRC currently offer. It may be the case that to fulfil the WRA's duties these external organisations may have to improve or modify their established systems and procedures.

7 How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?

- 7.1 We acknowledge that it is a difficult task to plan for the collection and management of taxes when it is unknown what taxes may be devolved in the future. We would recommend that systems are put in place now which would enable any additional devolved taxes, such as income tax, to be collected efficiently with minimal confusion to Welsh taxpayers.

8 How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?

- 8.1 The WRA should continue to have ultimate responsibility for the collection of taxes and be held accountable for its performance to the Welsh Assembly.
- 8.2 In order for service standards to remain at a constant level the WRA should ensure that all external organisations understand and agree to WRA's duties and the standards expected from them. There will need to be a publically available memorandum of understanding outlining the arrangements and delegated responsibilities between the WRA and the external organisation(s). In order to achieve this, it is essential that the WRA ensures there is a Taxpayer's Charter that all third parties adopt and advocate. The Charter should have legislative backing and should contain both rights and responsibilities for WRA (and any delegated bodies) and taxpayers, giving equal recognition to taxpayers' rights and obligations and setting them out clearly and with precision.
- 8.3 The WRA should perform regular performance reviews to ensure that all organisations are working and adhering to the WRA's standards and the Taxpayer's Charter. We would expect the delegated bodies to be subject to the same safeguards and quality control as WRA will implement.
- 8.4 We would recommend an independent body should report regularly to the Welsh Government on the WRA's performance, including the success of achieving its core duties and following the Taxpayers' Charter. This would mean that the WRA is accountable to the Welsh people via the Welsh Assembly. The independent body could be similar to the National Audit Office which is then supported by a Committee of the Assembly.

9 Do you have any other comments relating to this inquiry which are not specifically addressed above?

- 9.1 We would recommend that there is a process where by taxpayers can complain directly to WRA if they are unhappy with how the delegated body has treated them. For example, the complaints process should be included in the Taxpayers' Charter and any complaints should originally go to the external organisations to investigate and then to WRA if they are not successfully dealt with. We recommend the use of an independent adjudicator, such as used by HMRC, in cases where a complaint is unable to be resolved easily. We would expect that

the handling of complaints would form part of a publically available annual summary or report. This would also be another method of checking that service standards are maintained.

LITRG
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