

**Welsh Revenue Authority Charter Consultation
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 LITRG has taken an interest in the development of the Charter with a view to the devolution of further taxes to Wales which may affect the low-income taxpayer.
- 1.2 The draft Charter should be expanded to provide further explanation as to what the different responsibilities are for Welsh taxpayers and the Welsh Revenue Authority (WRA). We think that setting out the obligations of taxpayers and the WRA separately help make things clearer to both parties.
- 1.3 We recommend that the complaints procedure and the right to have a representative to deal with your tax affairs on your behalf should also be included as part of the Charter. The Charter should include a statement along the lines of 'all parties have the right to refer to this Charter in all tax dealings' to help make it a meaningful tool for taxpayers.
- 1.4 This Charter presents a good opportunity to embed 'equality' considerations across the WRA to ensure everyone is given the support they need. As such, the draft Charter should be amended so that it does not only refer to using digital services and digital channels as it will not be possible for all taxpayers to engage with the WRA using this approach; this is particularly likely to be the case when further taxes are devolved to Wales. Moreover, it is essential to ensure that the format of the Charter allows it to be fully accessible, for example to those who are partially-sighted.
- 1.5 The WRA should explain when their Charter will be relevant to the Welsh taxpayer and when it is appropriate to use HM Revenue & Customs' (HMRC) Your Charter. This will become more important as further taxes are devolved in the future.

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 WRA's consultation on its draft Charter. As we are an organisation that focuses on tax issues affecting the low-income and vulnerable taxpayer, we consider the Charter an instrumental safeguard which should be designed and implemented in order to protect those who cannot afford professional representation when dealing with their tax affairs. LITRG has taken an interest in the development of the Charter with a view to the devolution of further taxes to Wales which may affect the low-income taxpayer.

4 Working together

- 4.1 ***Question 1.1: What do you think the advantages and disadvantages of shared values, standards and behaviours are?***
- 4.1.1 The WRA'S ambition to use a 'shared values, standards and behaviours' approach to set out the joint responsibilities between the WRA, Welsh taxpayers and the Welsh public to deliver a 'fair tax system in Wales' is commendable. However, given the limited degree to which taxpayers and the general public understand and can also contribute to the actual delivery of the tax system, we would question the appropriateness of such a shared approach.
- 4.1.2 We have concerns that using 'shared values, standards and behaviours' would imply that there is an equal balance of power between the WRA, its partners and the taxpayer when clearly that is not the case. Not only should the Charter explain to the taxpayer what is

expected from them and what they can expect from the WRA, it should also act as a safeguard for taxpayers to ensure fair treatment. Therefore, it is a significant concern that by setting out the draft Charter showing only 'shared values, standards and behaviours' the safeguarding aspect is diminished, which could result in undermining one of the key purposes of the Charter.

- 4.1.3 An example of where the 'shared values, standards and behaviours' may not be appropriate is the 'Secure' value. The draft wording states 'protect all information and respect confidentiality'; however, while there are clearly some areas where taxpayers have responsibilities similar to those of the WRA, such as keeping information secure, often there is a subtle difference between their reasons for doing so. Also, it could be argued that the level of security expected from the WRA and its partners should be more sophisticated than an individual taxpayer who may have to rely on help from a family member when dealing with their tax affairs. Another example, in relation to the points in the 'Efficient' and 'Accurate' values, is that the WRA Charter approach does not allow for a distinction to be made between the WRA's responsibility and that of the taxpayer, even though one might expect professional levels of promptness and accuracy from the WRA, where rather the expectation on the taxpayer might be for them to act to the best of their ability and knowledge.
- 4.1.4 If this 'joint' approach is to be adopted, then we consider it would be more helpful to have the Charter with the eight values as a summary to explain the overall 'spirit' of the shared values. This should then be followed by more detailed subsections containing clear explanations of the distinction between what is expected from the WRA and its partners and what is expected from the Welsh taxpayer.
- 4.1.5 Another advantage of using this approach would be the ability to amend the detailed subsections if needed when further taxes are devolved without changing the core values of the Charter.
- 4.1.6 It is in their own best interests for taxpayers to take responsibility for their tax obligations. Unrepresented taxpayers in particular benefit from a Charter that helps them understand how to deal with the tax authority – the Charter should encourage taxpayers to engage and communicate with the WRA and reassure them that they will receive a fair hearing and that they will be listened to.

5 Behaviours and values

5.1 ***Question 2.1: Do you think the values provide a good balance of shared responsibilities between you and the WRA? Why do you think this?***

- 5.1.1 As explained in our response to question 1.1 above, we have concerns about the current wording of the draft Charter as it implies an equal balance of power between the WRA, its partners and the Welsh taxpayer. The issue could be addressed by having further detail

explaining what the different responsibilities are for the WRA and the taxpayer (see paragraph 4.1.4 above).

5.2 ***Question 2.2: Do you disagree with any wording of the values?***

- 5.2.1 We would like reassurance from the WRA that the wording of the Charter will be reviewed when further Welsh taxes are devolved over time. Feedback received about the Charter as part of the measurement of its success should also be evaluated to see if any of the wording needs to be amended.
- 5.2.2 We have concerns that even though the draft Charter has been prepared as a concise document it mentions using 'effective digital services' and 'digital channels' under two of the values headings but does not refer to the use of alternative methods for those who are unable to use digital services in order to deal with their tax affairs. This may be due to various factors such as lack of broadband coverage, for example, if residing in a more remote area of Wales, lack of training or confidence in using digital services or being unable to afford an internet connection.
- 5.2.3 This Charter presents a good opportunity to embed 'equality' considerations across the WRA to ensure everyone is given the support they need. An important part of the WRA providing a 'fair tax system for Wales' is the provision of information and services which can be accessed by all and therefore not solely through a digital platform. We are very concerned that there is no mention of using non-digital services included in the draft Charter and we would recommend that this is amended before it is finalised whether as a separate principal or included under the 'supportive' and 'efficient' values.
- 5.2.4 Although not directly associated with the wording, in the context of 'equality' considerations, we note that it is essential that the Charter itself is fully accessible. This means that the format, including choice of colours, must be accessible by users with disabilities, including those who are partially-sighted.
- 5.2.5 Under the 'Accurate' value we would recommend that the wording is amended from 'taking care' to 'taking **reasonable** care'. This change would imply that the attention given when interacting with the WRA may vary depending on the taxpayer's tax knowledge and ability especially if they are not represented by a professional adviser. It also mirrors HMRC's Your Charter whereby 'you should take reasonable care to avoid mistakes' and Revenue Scotland's Charter which states taxpayers will 'take reasonable care to ensure you provide all relevant information' and 'make accurate returns and claims with care and on time, to the best of your ability, knowledge and belief'.
- 5.2.6 Under the 'Engaging' value we would recommend inserting the words 'and educate' after 'encourage the Welsh public...' so it reads 'encourage **and educate** the Welsh public to understand the devolved tax system and work together to design it for the benefit of Wales'. Education and understanding of tax and changes to the tax system are paramount to encourage taxpayers to become involved in the devolved tax process. This will become even more significant when income tax is partially devolved in 2019; as although income tax will

only be partially devolved and will still be administered by HMRC (and therefore under HMRC's Your Charter), this change will raise public awareness and also create confusion as to which tax authority has responsibility for different taxes.

5.3 Question 2.3: Are there any values, standards or behaviours you think are missing from our Charter?

- 5.3.1 For the Charter to be effective it should be capable of being enforced and therefore there must be a right of redress if the 'values, standards and behaviours' are not being upheld by the WRA and its partners. We consider that there is not the same need of redress for the WRA because there will be remedies in place if the taxpayer does not abide by their responsibilities as laid out in the Charter; for example, through penalties and interest for late payment. We have grave concerns that there is no mention in the draft Charter of how to make a complaint that WRA has breached the Charter; this is included in both the Revenue Scotland's Charter and in HMRC's Your Charter. We would strongly recommend that this is included in the WRA Charter as recommended in our response to the 'Consultation on the inquiry into the collection of devolved taxes'.¹ A right of redress will help to ensure that the Charter fulfils its role as a safeguard for the taxpayer.
- 5.3.2 There is no mention of being able to use a representative to assist a taxpayer in dealing with their tax affairs. This may not necessarily be a professional tax agent; for example, it could be the voluntary sector assisting a low-income or vulnerable taxpayer or a family member or friend. Both HMRC's Your Charter and Revenue Scotland's Charter state that you have the right to have a representative. We understand from discussions with the WRA that it is their intention for a taxpayer to have representation. However, for avoidance of doubt we would strongly recommend that this is included in the WRA Charter.
- 5.3.3 There is also no mention about the responsibility of informing the WRA (and its partners) about any problems with paying tax debts. Again the HMRC and Revenue Scotland's Charters both include this and we agree that it is best to discuss any tax debt problems as soon as these become apparent. It may be the case that this is not included in the draft Charter as the WRA will not be performing a tax collection role. However, we consider this point should be included as best practice.
- 5.3.4 Although this is not in relation to a particular value of the WRA's Charter there is an issue regarding whether the Welsh taxpayer will understand what tax services are covered by the WRA Charter and what will be covered by HMRC's Your Charter. This is an issue of educating Welsh taxpayers about the devolution of taxes and will not be a stable position due to further taxes being devolved in the future. As part of introducing the Charter there needs to be a clear explanation on both the WRA's and the GOV.UK websites detailing which Charter

¹ LITRG response paragraph 9.1: <https://www.litrg.org.uk/latest-news/submissions/150423-inquiry-collection-devolved-taxes>

is applicable under different circumstances. The explanation should also be included on any written correspondence which refers to the Charters.

- 5.3.5 Finally, further to our comments in paragraph 5.3.1 we recommend the Charter should include a statement along the lines of ‘all parties have the right to refer to this Charter in all dealings’ to encourage people to use the Charter in their contact with the WRA. With good publicity and communication around the Charter, we would hope to see Welsh taxpayers becoming familiar with what they can expect from the WRA under the Charter and not being afraid to hold the WRA to their promises – as they are held to theirs.

6 Engaging with the Welsh Public

6.1 *Question 3.1: What ways would you like us to engage with you?*

- 6.1.1 The consultation mentions potentially engaging with the Welsh public through forums, using social media to post information and request feedback, and running online surveys. As the WRA is a new organisation we consider that where appropriate, all types of engagement should be used and then evaluated to see what approaches have been successful in reaching different groups of the Welsh public.
- 6.1.2 We also recommend that all forms of communication are available to engage with the Welsh public, this includes the use of digital services, telephone and face-to-face meetings.
- 6.1.3 If taxes are to be devolved that affect low-income and vulnerable people, then we recommend the WRA considers engaging with the voluntary and charity sector who directly help these groups of taxpayers with their tax affairs. These include organisations such as TaxAid, Tax Help for Older People and Citizens Advice. This would also be a way to directly approach unrepresented taxpayers who do not have easy access to digital services such as the WRA website.
- 6.1.4 We have previously recommended¹ that the Charter needs to be publicised before any taxes are devolved. As the first two taxes will be devolved from April 2018 this is now unlikely to happen. However, we still advocate that this should be done as soon as possible after the Charter is finalised with adequate funding being made available to promote the Charter.

¹ LITRG response paragraph 4.4: <https://www.litrg.org.uk/latest-news/submissions/150824-inquiry-tax-collection-and-management-wales-bill>

7 Measuring success

7.1 *Question 4.1: Please provide suggestions on the type of data you would want us to publish.*

- 7.1.1 We strongly agree that there should be a form of measurement of the success and/or responsiveness of the Charter. The Charter will only be successful if taxpayers and WRA's employees know about it and what is included within it.
- 7.1.2 Feedback on understanding the purpose of the Charter would be an initial starting point; for example, do Welsh taxpayers understand what it is for? And how does it work alongside the HMRC's Your Charter? It would be helpful to approach HMRC and Revenue Scotland to understand the feedback they have received on their Charters from the general public.
- 7.1.3 In order to measure the success of the Charter it is important to understand how often it is being called upon by taxpayers and how often taxpayers are having to go further than the WRA for resolution. Therefore, the type of data that would be useful to be published would be the number of complaints under the WRA's Charter and the number of complaints going beyond the WRA for resolution in relation to the Charter.
- 7.1.4 Measuring the success of the Charter will be subjective and may interact with the success of HMRC's Your Charter as the taxpayer will be dealing with processes carried out by two different tax authorities. In order for a full picture to be available to stakeholders and taxpayers, we recommend that all relevant feedback be analysed and published and that the WRA is not selective in only publishing some results.

8 Welsh language

8.1 *Question 5.1: What effects do you think there would be? How could the positive effects be increased, or negative effects mitigated?*

- 8.1.1 We have no comments.

LITRG
8 February 2018