



DVLA and HM Revenue & Customs Consultation

Tackling VAT evasion on road vehicles brought into the UK

1. Introduction

1.1. *About us*

- 1.1.1. 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.
- 1.1.2. 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.

1.2. *Focus of this response*

- 1.2.1. Although we are not directly involved with individuals or businesses bringing vehicles into the UK, we are concerned that unrepresented individuals on low incomes should have enough information and support to enable them to comply with UK tax regulations.
- 1.2.2. We understand that the main emphasis in tackling evasion is to counter fraud, but these proposals do also need to consider the position of low-income unrepresented individuals and their ability to comply with them easily.

- 1.2.3. The impact assessment indicates that around 18,000 individuals and households currently bring vehicles into the UK and pay VAT for them. No figures are given of the number of individuals who bring in used vehicles from within the EU and are only required to follow the notification process.
- 1.2.4. As well as UK nationals many of these would be migrants. Migrants to the UK are a mixture of people with varying personal circumstances. But we believe that by far the greatest in number are migrant workers on low incomes – unrepresented taxpayers who cannot afford professional fees and for whom sources of tax advice are almost non-existent.
- 1.2.5. We have answered those questions where we have specific comments to make and commented on other areas of the consultation where appropriate.

2. Questions on the online process

- 2.1. For anyone entering the UK with a vehicle, unless eligible for relief, the proposals envisage some form of online interaction with HMRC. It is also quite clearly indicated in the document that the decision on online filing is not for discussion.
- 2.2. However, even if discussion is not permitted, some exceptions or solutions must be found for those who are unable to file online, for example for reasons of age or disability, or do not have access to the internet. This much is evidenced from the legal challenges following the introduction of mandatory online filing of VAT returns. Indeed not to do so would be contrary to equality legislation. We also note that while article 250 of the Principal VAT Directive permits Member States to require *taxable persons* to submit returns electronically, that provision cannot be read as extending to non-taxable persons such as a person importing a vehicle into the UK for own use. We therefore do question whether or not HMRC are entitled to mandate electronic notification in this case.
- 2.3. There are also the practicalities of how such workers will be able to access the internet other than in a public area. Here we note that a migrant entering Britain is highly unlikely to have private access to the Internet for several weeks given that he has to find permanent accommodation, have a phone line installed and then apply for access. We are also concerned that public computers are not all secure so the effect of compelling people to use insecure computers to pass personal data to HMRC, including bank details if there are any, potentially increases their vulnerability to fraud.
- 2.4. In addition, to insist on online payment of VAT does not recognise that many low income migrant workers coming into the UK may not have the facility to make such a transfer, or even a bank account from which to do it.
- 2.5. These points suggest that these proposals in no way fit well with HMRC's statements in 'Your Charter' as to what an individual can expect in terms of making it straightforward and easy to access services.
- 2.6. Finally, how would the proposed approval process work if there were no secure electronic

method whereby HMRC could indicate to an individual whether the VAT is deemed 'secure'?

3. Information and guidance on changes

- 3.1. Paragraph 6.1 gives only one general suggestion of publicity for individuals who do not have access online or through a trade association etc. No indication is given of the type of publicity envisaged.
- 3.2. An issue that LITRG often raises in consultations of this nature is how people affected by legislation are going to know of its existence. In this case penalties will arise for failure to notify even if all they are doing is bringing into the UK a previously owned vehicle for their use here. At what point in their journey to the UK will they become aware of these rules? Is a poster or one of many leaflets, only in English, on a counter likely to alert them? Is it likely that they will be able to let alone actually visit a HMRC or DVLA office within 7 days?
- 3.3. From the data you hold on those bringing vehicles into the UK we assume it would be possible to identify places and occasions where appropriate information and guidance could be offered and people alerted to the change in the rules.
- 3.4. Consideration will need to be given to preparing good clear guidance for these people and the method of delivering it. Again this is clearly a 'Your Charter' point.

4. Impact assessment

- 4.1. Many of the above points do give rise to equality issues, such as for members of other racial groups entering the country who do not have English as a first language, and for people with disabilities who need information in alternative formats.
- 4.2. The fact that these equality issues have not been taken into account in this consultation indicates that an equality screening has not taken place nor have any necessary equality assessments been carried out. Under the Equality Act 2010, these formalities are required at an early stage of development of any new, or changes to existing, policy. They should therefore be done now, without delay.

LITRG

31 August 2011