

Speech to HMRC virtual stakeholder conference

The Financial Secretary to the Treasury, Jesse Norman, reflects on the achievements of the past year and highlights the priorities for the future of the tax system.

Thank you everyone for coming along and joining us today. My name is Jesse Norman, I'm the Financial Secretary to the Treasury and I'm responsible for tax policy at the Treasury and also for HMRC.

And what an astonishing organisation that is.

Tax is absolutely at the centre of economic activity and behaviour. You may know I wrote a book a few years ago about Adam Smith, who was a commissioner of customs in Scotland and wrote memorably and incredibly thoughtfully about the basic principles of taxation. And it's a complete delight to be able to embed myself not just in the policy, but also in understanding of the operations of HMRC as well.

My job has been around, as I have discovered, for over 300 years. In fact, the first Financial Secretary, then known as the Junior Secretary of the Treasury, was Thomas Harley MP. He was from Herefordshire and, as you will know, I'm the Member of Parliament for Hereford and South Herefordshire. So there's a point of continuity there.

He got that job in summer 1711, I'm sure owing to his astonishing personal merit and hard work, but also possibly not unconnected to the fact that he was the cousin of the Chancellor of the Exchequer at the time. Anyway, one of the things he famously had to do in his life was to crack down on smuggling and on embezzlement. There was one occasion when he was tackling a brewery owner from Deal, who had been accused of engaging in fraud and abuse – failing to provide the right amount of beer that was expected by the thirsty sailors of the naval fleet. How little things have changed, these days, in terms of the willingness of a few people to conduct fraud and abuse! So, we have that precedent to rely on.

Let me just say, if I may, a couple of things about this event. You, as stakeholders, play an extraordinarily important part in the wide picture of taxation. I hope you have noticed that, since I have become FST, we have really bent over backwards collectively, on the political side and also on the HMRC side, to try to engage and work with stakeholders. The feedback that you have given and continue to give to officials at HMRC, to the senior leadership team there and to me and my colleagues, ministers and other MPs, is absolutely essential to the effective working of the overall system.

So I want to start by saying thank you for that. Thank you for saying when it goes wrong and, even more, thank you for saying when we got things right, because of course it's also really important to know when we're on the right

track with policy or with operational changes.

I want to talk if I may today about three specific areas. The first is what you might call the wider collaboration, the policy and the schemes that HMRC has put in place, and the work they have done with stakeholders through the whole Covid-19 pandemic. The second is what the future looks like for the organisation and for taxpayers more generally; and then thirdly, what our experience has been and how that experience might in turn shape how we as a government, through the tax system and through Her Majesty's Revenue and Customs, think about how we respond to future crises of this kind, or indeed other major economic and epidemiological or health events.

So, let's start where we should, with what we've been through in the past 12 months. I will never get tired of saying what an astonishing job HMRC and Treasury officials have done in their response to the Covid pandemic. I think when people come to write the history books, they will see it as exemplary.

And of course, that in itself has relied on the extraordinary difference that you, our stakeholders, have given in helping HMRC to test and improve the support schemes they put in place. This includes consulting with them, helping to tip them off when something is going wrong, helping them to manage demand, or the vital element of making sure that taxpayers know what they should be doing, when they should be doing it and know of the schemes that we have put in place to help them through this incredibly difficult period.

I am under no illusions about the importance of your involvement as stakeholders in administering the support schemes. I'm extremely grateful and I thank you for it.

You probably know that the Job Retention Scheme alone has paid out more than £53 billion over the period; that's protected 11.2 million jobs, an astonishing intervention. If someone said at the beginning of last year, "Great news Jesse, in three months' time, you'll be responsible for an organisation that'll be protecting 11 million jobs and spending the eye-watering sum of £53 billion", I would never have even remotely imagined it. None of us would. None of us did and that is something that I'll come to later on.

But these extraordinary measures are testimony to the amazing energy and the very rapid, ingenious imaginative response that's been put in place by both the Treasury and HM Revenue & Customs. And that's not even to mention the Self-employed Income Support Scheme, which has issued almost £20 billion to a further 2.7 million people. And of course, there's been a host of other tax easements and deferrals, grant schemes, and all the rest sitting alongside that, and that's made an incredible difference.

All these things have helped to keep the fabric of what Adam Smith called our commercial society in place. I think we've learned hugely as a country about how to deal with pandemic crises, and if we now can get through what is going to be the greatest economic crisis that this country has faced outside wartime in our recorded history, going back to Thomas Harley in the beginning of the 18th century, then that will be an amazing achievement.

So massive thanks. Thank you for all you've done and thank you for all that I know you will continue to do in supporting the work that we are doing.

Now, I talked about the people who we've been able to help through schemes, through the furlough scheme to the self-employed scheme and all the other tax easements and other schemes that we put in place. The vast majority we have been able to help, I am thrilled to say. But it's also true, and I am acutely conscious, that we have not been able to help everyone in the way that they might have wanted. As you know, I have talked to many Members of Parliament and I've talked to many of the wider stakeholder groups. I've really tried to lean forward into this issue, to think of ways to understand the concerns that they have, to understand the issues as they might present themselves and then to try to push officials and systems to work as hard and effectively as we can on how to solve them.

You have helped us think our way through how we can improve the schemes, how we can include as many people as possible – and also how we can do so while protecting taxpayers—that is, all of us who pay taxes up and down this country—from the risk of fraud, error and abuse that the schemes might be vulnerable to, if they were not properly managed.

So, if we take the changes we announced at the Budget, the Self-employed scheme has been extended to those who filed their 2019 to 2020 tax return; that's 600,000 people. Indeed, many of those had become self-employed in that year, and therefore could be eligible for the fourth and fifth grants. That was a significant and important change, but I think it's all forgotten that actually we made a number of additional other important changes to schemes before that.

We've tried to develop them, and to allow them to evolve to become more inclusive over a period of time, and that's been a very important thing too.

I'm delighted we've been able to make those changes, and where we have been presented with other proposals for how to include more people, we have taken them with great seriousness. I and my officials have really tried to work through all the angles and all the kinks, to try to see if there's a way we can accommodate them, and in some cases we haven't been able to. That is because we have not been able to overcome the concerns that we've had about issues of protecting public money and safeguarding against fraud and error and abuse. It is a matter of profound regret, but it is the counterpart to the very rapid work that we have done to put in place these extraordinary, wide ranging measures on behalf of the vast majority of people who have been affected.

Now if you look overall, we've got something like a £407 billion package of support, part of the overall response to the COVID pandemic, and so there is a very wide range of help for people who may not have been able to be helped by those schemes, and many have been able to avail themselves of that as well.

Now if we turn from the existing response to the future and ask ourselves what might the future look like for HMRC in four years for taxpayers, I think

it's important to note a few things. The first is that these schemes are continuing as we emerge from the current period of crisis. They are in place, they are being phased out in a stepped and carefully calibrated way, precisely so we can have as orderly and measured transition as we possibly can to a future robust economic and public health recovery.

But of course, we're also trying to think about the future as well and to learn and to reflect on the experience of the past few months. HMRC's fundamental role is going to remain the same, that is to say, it is still going to collect the taxes and support public services, it is still going to provide financial help to those that need it most. But how they do that and how they interact with how people are increasingly choosing to live and work – of course those have massively changed as well in the last few months – are really important questions. And we need to change, and we need to change the tax system, to make sure that we recognise those facts.

That is why I have placed so much emphasis and HMRC has been so engaged in the work we've done on our 10-year tax administration strategy. That's a really important thing. I think it's an absolutely foundational project: I try to take, wherever I possibly can, a strategic view of matters and that is what we have tried to do here. Improving the resilience and the effectiveness of the tax system over the next decade – that's the core goal for us.

At the same time, we want to try to track and anticipate some of the rapid changes—social changes, economic changes, technological changes—that we're seeing in our society and in our economy. We also want to do that while reducing the cost to taxpayers, helping them to meet their obligations more easily, simplifying if we possibly can, accommodating and including other easements that may help people as they go about their lives.

We don't want people's lives to be structured by 'You need to pay tax'. We want their lives to be rewarding, successful and happy; and if they're running businesses, then we want the proper payment of tax to be something that comes naturally and effectively through a well-functioning tax administration system. So that is the overall package of benefits that we want to offer.

Now, how are we doing this? The first is we're focusing on extending our Making Tax Digital programme. And I'll talk a bit more about that later, but I think you know that by April of next year, smaller VAT registered businesses will be required to join the larger organisations that already signed up to MTD. And from the following year we're going to be extending MTD to income tax self-assessment for business and landlords with income over £10,000.

You've heard today about how the strategy is going to involve using more real time information so that taxpayers gather a more up-to-date understanding of what's going on, and I hope greater certainty over their tax position and potentially the greater capacity to assess risks in their own lives or in their own businesses.

Well, of course, tax reporting will become increasingly real-time. It may

well make sense, although this is a complex and tricky area, to bring tax payments further into line with that, so that taxpayers have a single and, as far as possible, a complete financial picture of their tax situation. Of course, there may also be end-of-year adjustments – I'm not downplaying the seriousness, in accordance with that issue – but that's the goal. But it's not just about systems, it's about the everyday business of making tax easier to calculate and easier to understand. And of course there will remain a very wide range of people with an infinitely different array of circumstances. Those circumstances are going to shape how they react, and we can't proceed on the basis that one size will fit everyone.

So the strategy has got to set out, alongside this, how HMRC is going to build an easily accessible and secure system of single digital accounts. We want taxpayers to have the information they need to enable them to manage their tax affairs in one place. We want them to be able to understand their tax obligations more easily. We want them to be able to pull in more tailored support so that they can make better judgments. And, of course, we want HMRC – and ultimately us all as taxpayers – to benefit from greater efficiency across the system.

The document focuses, not just on some of the nitty gritty issues that I've already described, but also on plans to improve standards in the tax advice market – another indicator of how we try to see this in as inclusive and as systemic a way as possible – and also of course services for agents and representatives. Then, of course, undergirding this will be work to simplify and modify the tax administration legislative framework, so that HMRC and its taxpayers and customers can benefit from the technological and data advances that are being made.

So that's the overall picture. I think it's fair to say, and I hope you would agree, that there's been a fair bit of progress already. The Government committed £500 million pounds last summer to expanding Making Tax Digital. In the Budget we announced a further £68 million to take forward work on developing the single digital account and the customer record as I just mentioned.

And of course the Tax, Policies and Consultations update that we did at the end of March was a way to give more prominence and transparency to tax consultations. It was a small but I think important measure designed to reform the process of making policy itself within the tax system.

If you haven't yet shared your views with HMRC, please do so because, as I said earlier, we really need to move forward collectively on this. We need your stakeholder input if we're going to get things right.

All this in turn brings out the wider and even more fundamental issue, which is that we tax with people's consent. Public trust is a basic aspect of all taxation and if we're going to make these kinds of changes that I've described, we need to ensure that the public's faith in the tax system remains undiminished. And that means building and maintaining and sustaining that relationship of trust and consent.

That's why HMRC has upgraded and updated its charter recently, in order to be clear about what the standards of behaviour should be both for them and for their customers. And it's why we're trying to make sure that those who might need more help when they deal with HMRC, are going to get the right support at the right level, available through the extra support service.

It's not just that how HMRC interacts with taxpayers is important, it's also important that the language in which they do so is as open and accessible as possible. There's been a lot of feedback in this area from taxpayers and tax agents on behalf of customers. There's been a lot of work done on guidance, making sure guidance is accessible, clear and authoritative as possible. And that's all to the good.

Let me just say a couple of other things, and then I'll wind up. I do think we need to reflect on the experience of the past 12 months. I have tried to take a lead within the Treasury and with HMRC, setting challenges on how they think about the response – not just this pandemic, reflecting on what we've learned – but also how to go forward. We can't take for granted that future events are going to bear a fixed or known relationship to the past. No one can predict the precise nature of future events.

So what we're going to need is optionality; we're going to need resilience; we're going to need preparation, and all these things are going to be core elements.

To make this happen, we're going to need data and technology. Digitisation and real time information are going to be the two pillars, so that HMRC as an organisation, and indeed the system as a whole, has greater flexibility and bandwidth. Now that does mean real time data of course, it also potentially could mean a more improved pandemic response. That's a further step to how policy response might reflect what further information might be required – and this is a topic we're doing a lot of thinking about at the moment.

So we're thinking hard about MTD. We're thinking hard about the wider pandemic response—and those things have to come together. Now, you've already heard, as MTD is developed, it does have the potential to provide other benefits for businesses in normal times. That might be better record keeping, it might be greater support for productivity improvements, it might be lower error rates, it might be prompts to their own business management practices. We know that businesses that embrace IT tend to have significant productivity increments and improvements and that would be a very important goal.

And of course, once you as a business have made those changes they're with you, potentially for a very long time. So there may be some transitional processes, there may be some transitional costs. Speaking to stakeholders myself, I know that there have been concerns about what those burdens may be and whether they are too large, and I just want to be clear with you that I am very much still in listening mode on this issue.

We want this tax system that we are developing to be as user-friendly as possible, and we want the transition to be as smooth as possible. MTD is a fundamental part – but it's just part of a wider vision for restoring and

renewing our tax administration system. If we want to achieve the full potential, even with MTD, we need to think of the wider picture, and that's what I am focused on.

So let me wind up: amazing achievements by HMRC and the Treasury; astonishing support from their partners and stakeholders around the country, and support that underlines all we're doing on the tax admin strategy. I couldn't be more proud of that.

I think we're in an important moment in the evolution of the whole system. I am going to be giving this as much energy as I possibly can. I will be pressing this in all parts of government. I know the Chancellor is fully committed and behind us and I know that if we really engage with it and we continue to work as hard, collectively and constructively as possible – then we can achieve something quite extraordinary.

It's going to take some time, but I am incredibly excited about the potential outcomes, and I think we can do some really powerful long term good, not just for ourselves, our own businesses, own institutions but for the country as a whole. Thank you very much indeed.