

Speech to ICAEW Virtual Conference

Introduction

Thank you very much indeed, Frank and I also thank Anita, Daniel and all of your team and the team that set up this amazing event. I have to say when you told me it was three days of online streaming and dozens of speakers and thousands of watchers, I thought this was nothing less than the Glastonbury of tax. I congratulate you on pulling that off. I think it's an extraordinary achievement.

Of course I am not really surprised, that this conference is going ahead, because the tax community is always ready, willing and able to embrace digitisation, and I'm going to come on to that a little later in my remarks.

Frank, you've done that very brilliant chairman thing of roping in fifteen different topics that I'm going to talk to you about, and I'm happy to take questions any of those in questions, but the three areas I'm going to focus on are:

- HMRC's response to Covid-19 and the pandemic
- the core question of how HMRC focusses on its main business – that is collecting tax
- and then, something I care very deeply about, and I'm thrilled that we have been able to make massive progress on in the last few months, which is the 10 year plan we've for HMRC to create a trusted, modern tax administration system

Let me start by saying that, of course I am absolutely proud of what HMRC has done in relation to Covid. I think it's been an astonishing set of outcomes for them. But I also think that HMRC, and it's one of the lessons we've learnt is this, can't operate in a vacuum. It needs trusted stakeholders, it needs a tax system that's working, it needs many, many organisations and people around it to be as effective as it is and would like to be.

The ICAEW make an enormous difference, and its members too. So whether they are identifying areas for improvement, or helping us to consult, or improve schemes – thank you, and thank you ICAEW members very much indeed.

I should also say, that we are coming to this, as you will appreciate, in a very specific economic context, certainly unlike any other in recent experience. We've now formally entered recession for the first time in eleven years. This is a highly unwelcome development although, alas, not surprising given the wider situation.

The Chancellor has made perfectly clear his view that there will be hard times ahead, and last week's figures confirm the truth of that statement.

And of course, it's true that hundreds of thousands of people have already lost their jobs, despite the incredibly valid efforts that HMRC and my Treasury officials have been engaged in, trying to protect the economy and

protect businesses and protect employment.

It's sobering to reflect that many more people will almost certainly face redundancy or unemployment in the next few months.

Having said that, I do think the work HMRC does can play an absolutely vital role in trying to mitigate the damage the pandemic is doing, and HMRC is at the centre of this activity too, as we're going to discuss.

You will appreciate that none of our public services will be doable if it wasn't for the funding that comes through tax revenue, and that's of course the core of HMRC's responsibilities

HMRC at the forefront

You don't often hear HMRC ministers talking about them being at the forefront of delivering huge and successful new programmes, in record time and at the centre of the government's response to a crisis, but that is what HMRC has done. As I say, I think it's a tremendous achievement.

Let me say also, we are acutely aware that by no means every aspect of every scheme is perfect. This process has been done at a blistering pace. We have been pulling together schemes as quickly as we can, and officials have been working around the clock to make sure that we deliver programmes that deliver the maximum good for the maximum number of people as quickly as possible, with the minimum of fraud.

It might be worth just touching briefly on the results. The furlough scheme so far has helped 1.2 million employers claim just under £36 billion. HMRC also helped around 2.7 million self-employed people claim nearly £8 billion in grants, and helped employers by reimbursing some of the costs of statutory sick pay for COVID-related absences.

In the case of Eat Out to Help Out, some 85,000 restaurants have now registered and the total amount claimed is £180 million, from 35 million covers claimed.

So these are huge numbers, and to put that all in place at such speed is a considerable achievement.

What I think is less noticed, but to me at least, and to you as tax connoisseurs, no less important, is that HMRC has also implemented more than 60 policy changes and easements, and they include things like:

- the deferral of tax payments through the VAT system and deferral of Income Tax Self-Assessment payments due in July 2020
- introducing a temporary relief for customs duty and import VAT on PPE and other medical supplies used to help combat Covid-19
- assisting in the production of millions of additional litres of alcohol hand sanitiser. HMRC set up a specialist team who moved very quickly to increase production of denatured (undrinkable) alcohol which has proved very important in fighting the virus

It's very interesting how brewers and distillers have also moved very quickly into that market and have created new markets for themselves. I'm not going to pass by this issue without singling out the Black Mountain Botanicals distillery in my constituency – who have done exactly that to great effect.

So that's the wider context, but of course that in itself, raises the question of where do we go from here. Is there going to be a 'new normal' for HMRC, and what does that new normal look like? For HMRC that does mean a refocussing and a reconsideration of the key principles by which they operate, again focussing wherever possible on supporting individuals, supporting businesses, protecting the taxpayer and ensuring the money comes in to fund public services.

Where we go from here

So what are those key principles?

1. The first one will be that HMRC will continue to collect the tax due, but do so, as far as possible, in a way which supports taxpayers in the work they are doing and in particular, supports businesses that are supporting their employees. We want businesses to be doing the right thing and we want to do everything we can to support them in the way they do that.
2. HMRC should communicate transparently and openly. That is very important. The consent on which a tax authority exists, and the consent of the wider tax system requires open and transparent communication.
3. It's of course always vital, for similar reasons, that HMRC should continue to be professional, fair and even-handed in their dealings with taxpayers.
4. Where HMRC introduced temporary arrangements that have improved taxpayers' experiences or created operational improvements, they need to, where possible, to build on these changes to deliver long-term sustainable solutions.
5. Finally, HMRC must continue to collect the money that pays for the UK's public services, and that means continuing to prioritise tackling serious fraud and criminal attacks on the tax system, while making it as easy as it can be for individuals and businesses pay the right tax at the right time, without difficulty.

So those principles really remain unchanged, but I think extended in some key areas. Let's talk a little bit about how that might work.

Of course, HMRC will still issue penalty notices, they should take a sympathetic approach to those who are struggling to pay their tax or file their returns. HMRC will accept the impacts of COVID-19 as a reasonable excuse, if properly evidenced, and will offer longer periods to request a review or appeal a decision.

Similarly, HMRC has restarted debt collection activities and it's absolutely right that it should do so. Of course they recognise, and I recognise that I some individuals and businesses remain in uncertain financial circumstances.

So HMRC will initially focus on collecting debts from taxpayers who are least affected by COVID-19 and most able pay their tax debts. Having said if you or any of your members' clients have concerns about their ability to meet tax obligations, to get in touch with HMRC now, to see how they can be supported through deferrals or Time to Pay or any of the other measures that we've introduced to make sure they have adopted every measure to which they are entitled.

So that is the full picture, but that in itself yields to consideration of what the future will bring, and there you get into the issue of HMRC's 10-year strategy and all the work we've been doing on the tax administration system.

HMRC's 10 year strategy

You and your members will have seen that last month we published the 10 year Tax Administration Strategy. I am delighted about that, it is fantastic to be able to put a 10 year process out there, so people have a proper sense of the direction in which we're heading and can plan accordingly. Software providers can, I hope, flood into the market with new databases, platforms and apps which assist people to pay tax effectively and have the best possible interaction with the tax system.

That whole plan, as your members will know, having probably read it and costed it closely, is a strategy of focus and collaborative improvement. I think has the potential to yield huge benefits. If you read it, you will see that collecting tax, while an important function, is by no means the only aspect of that plan. It's also very important to support HMRC's ability to act to improve our national resilience. It's been able to do that with the furlough scheme, and that's surely a very important function for it evolving over time.

I also think the process of nudging people into digitisation isn't just good for them, and many people have voluntarily adopted MTD for VAT already, but also has a tremendous potential productivity benefit for the economy as a whole. We have a long tail of businesses in the UK which are quite low on productivity, so this has a much wider potential economic benefit.

So those three areas, tax, resilience and productivity are all at the centre of this plan. What does this involve? Well it means greater flexibility, resilience and responsiveness in the tax system. It means improvements to businesses' digital skills, and it means a series of measures focussed on reforming the tax administration in a way that reflects the modern economy, so that it is working in real time, it is allowing people and businesses to pay the right tax, without tax becoming a burden or too intrusive or difficult. And of course, it does enable the government to continue to support the economy and businesses and individuals at times of crisis.

So that does that mean in practice. In the first case, it means extend Making Tax Digital (MTD) and pressing on with digitisation as they have done in countries like Denmark, Finland, New Zealand, Australia and many others. That's very important.

Having successfully introduced a new, digital VAT service for business We will be:

- extending MTD for VAT to VAT-registered businesses with turnover below the £85,000 VAT threshold from April 2022
- introducing MTD for Income Tax Self Assessment for businesses and landlords with business and property income over £10,000 from April 2023
- consulting on the detail of MTD for Corporation Tax in Autumn 2020

So we are giving businesses, individuals and the software industry a long lead-in time to ensure people have time to prepare for this change. And for Income Tax Self Assessment taxpayers we'll have the threshold so that those earning under that sum can opt out if they wish, though one of the fascinating things has been that many businesses have chosen to opt in to MTD despite not being covered by it as they fall below the threshold.

We think this is the start of a really interesting process as we continue to embrace technology,

And what do we want to see from that? Well we obviously want to see greater use of real-time information. That's a vital component – it's currently very hard for the taxpayer to have an immediate picture in real time of tax liabilities. It's a big change, but it does help the government. Let's be clear that if we had a more up to date picture of taxpayers' financial positions would have enabled SEISS support to be better targeted for those who needed it. Quarterly reports submitted before the introduction of SEISS would have given us almost a further full year's data, and this would have enabled us to pay SEISS grants based on self-employed workers most recent trading levels. There will be a very concrete improvements to people's lives and the resilience of their businesses coming out of these potential changes.

We also want to explore options for timely payment of taxes, and I realise different sectors face different challenges in this regard. The delays in the UK system can make it hard for people to manage cashflow, particularly for the newly self-employed, whose first tax bill could be up to 22 months after they start trading. We want to open a debate, a wider discussion, about the pros and cons of bringing tax payment more into line with the increasingly real-time nature of tax reporting and other taxpayer services. Of course that also has the effect of helping people to avoid a cashflow crisis at their end and stops them falling into debt, so that has some benefit. We also want to push ahead towards a secure, easily accessible single digital account. We want taxpayers to have one complete financial picture which draws on different sources of information and enables HMRC to provide a more tailored service to their needs.

Alongside that, but very importantly for the ICAEW and your members, we want HMRC to improve services for agents / representatives, who we regard as an integral part of the wider tax system, and we want to support them and help them do what they can to support their clients, and of course we want to raise standards in that area.

And the final thing, the bit that often gets forgotten. I know none of this

is big box office in political terms...but even in this bit, the thing which tends to get forgotten the importance of modernising the Tax Administration Framework. Our current framework is somewhat complex and somewhat out of date. It needs to be simplified and it needs to be brought up to date. And the goal of that is to allow HMRC and taxpayers to benefit from advances in the use of technology and data, for example by simplifying processes so that businesses need only register once with HMRC for all taxes, and to stop this current system where people have to go around navigating different rules, processes and deadlines for different taxes, and having to sign up with the tax authority on several occasions.

Wrapping up

So this, taken together, is I think quite a significant and important moment. Actually, I think it's important for the country, not just the tax work. I think it forms a coherent package of change, and a long term package of change. Therefore I am very excited about it.

I want to reiterate my sincere thanks to the ICAEW for their collaboration already – both with officials and with me personally – in taking this strategy forward. I am absolutely committed to working very closely with you and with the industry and agents tax profession to understand and improve the tax administration system over the next few years.

I am now very happy to take questions and thank you everyone again for inviting me to this conference.