



Economic Affairs Committee Reports: Taxation Policy Debate on 29 April 2019

This briefing identifies relevant reports and useful documents, including recent parliamentary materials and press articles, which may be of assistance to Members in preparing for the debate on the following two motions:

Lord Forsyth of Drumlean to move that this House takes note of the Report from the Economic Affairs Committee *Making Tax Digital for VAT: Treating Small Businesses Fairly* (3rd Report, HL Paper 229); and

Lord Forsyth of Drumlean to move that this House takes note of the Report from the Economic Affairs Committee *The Powers of HMRC: Treating Taxpayers Fairly* (4th Report, HL Paper 242).

Copies of the materials are available for collection from the Library.

Key Information

- House of Lords Economic Affairs Committee, [Making Tax Digital for VAT: Treating Small Businesses Fairly](#), 22 November 2018, HL Paper 229 of session 2017–19, pp 2–9; and [Government Response](#), 22 January 2019
- House of Lords Economic Affairs Committee, [The Powers of HMRC: Treating Taxpayers Fairly](#), 4 December 2018, HL Paper 242 of session 2017–19, pp 3–8; and [Government Response](#), 22 January 2019
- House of Lords Committee Office, [Letter to Financial Secretary to the Treasury and Paymaster General](#), 6 February 2019; and HM Treasury, [Letter to Chairman of the Economic Affairs Committee](#), 19 February 2019

Summaries of conclusions and recommendations from the two reports that are the subject of the debate, together with the Government's responses and subsequent correspondence between the chair of the committee, Lord Forsyth, and the Financial Secretary to the Treasury, Mel Stride.

The first report discusses the introduction of 'making tax digital', which will require businesses to keep and report VAT records digitally from April 2019 for larger businesses, and April 2020 at the earliest for smaller businesses. The committee welcomed the reforms in principle, but called for a deferral of the date of introduction, a staged transition period and the publication of a long-term plan. The Government rejected the suggested deferral, and gave a mixed response to other recommendations.

The second report considers broader principles in the UK tax system, including the powers given to HMRC and how they are being used in practice. It concludes that in pursuing tax avoidance HMRC does not discriminate effectively between "deliberate and contrived" actions and "uninformed or naïve" decisions.

The report recommends that several specific proposals for tackling avoidance should be withdrawn, postponed or amended. It also calls for a review to assess whether there should be an independent body to oversee the operations of HMRC. The Government's response accepted some recommendations and rejected others, including the review of whether an oversight body should be introduced.

In the exchange of letters, Lord Forsyth and Mel Stride discussed some of the issues arising from the reports, and Mr Stride declined the committee's invitation to give further oral evidence.

- HM Revenue and Customs, [‘Making Tax Digital for Business’](#), 1 December 2017

Overview of the ‘making tax digital’ programme, which sets out the timeline for the introduction of requirements and how this has changed since they were originally announced in 2015. It suggests that the changes will “deliver benefits for businesses”, including improved record keeping. It also provides estimates of the additional revenue which HMRC will collect as a result of the changes—over £1 billion by 2022/23—and of the transitional costs for businesses for which the changes are mandatory in April 2019—£131 million, potentially less full tax relief.

- HM Treasury, [Section 95 of the Finance Act 2019: Report on Time Limits and the Charge on Disguised Remuneration Loans](#), 26 March 2019, pp 2–8

Executive summary of a Government report on the effects of the provisions in the Finance Act 2019 to introduce a new twelve-year assessment time limit for lost tax that involves an offshore element. It concludes that the new time limit is “a proportionate response to the challenges of offshore tax compliance”. The report also considers the charge on ‘disguised remuneration loans’, concluding that it is the “right approach”, but recognising that some people are facing “difficulties”. It states that all cases will be treated “sympathetically”.

Parliamentary Debate, Statements and Questions

- [Statement on ‘Making Tax Digital’](#), HC Hansard, 19 February 2019, cols 1362–72
- HM Treasury, [Letter to Chairman of the House of Lords Economic Affairs Committee](#), 24 December 2018
- House of Lords, [‘Written Question: Taxation: Electronic Government’](#), 21 March 2019, HL14337
- House of Commons, [‘Written Question: VAT: Electronic Government’](#), 19 March 2019, 230716
- House of Commons, [‘Written Question: Tax Avoidance’](#), 4 March 2019, 226209
- [Oral Question on ‘2019 Loan Charge’](#), HC Hansard, 29 January 2019, cols 640–1
- [Debate on ‘2019 Loan Charge’](#), HC Hansard, 20 November 2018, cols 270–96WH

Press Articles and Comment

- Harry Brennan, [‘Firms Could be Exempt from Digital Tax Reforms—But HMRC Guidance Comes Too Late’](#), *Telegraph* (£), 16 March 2019
- Adam Williams and Katie Morley, [‘Cost of Digital Tax Reforms Could Cripple Small Firms’](#), *Telegraph* (£), 8 March 2019

- Hamant Verma, '[Press Release: Treasury Report—Chartered Institute of Taxation Warns Against Retrospection and Lengthy Look Backs](#)', Chartered Institute of Taxation, 27 March 2019
- Loan Charge Action Group, '[The Loan Charge Propaganda Scandal: The Treasury and HMRC are Misleading Parliament](#)', 27 March 2019
- Emma Agyemang, '[Tory Peer Urges “Tin-eared” Treasury to Rethink Loan Charge](#)', *Financial Times* (£), 18 March 2019

Further Information

- [Debate on 'Spring Statement'](#), HL *Hansard*, 20 March 2019, cols 1468–522
- House of Lords Economic Affairs Committee, '[Draft Finance Bill 2017: Making Tax Digital for Business?](#)', 17 March 2017, HL Paper 137 of session 2016–17
- HM Revenue and Customs, '[Making Tax Digital for Business: Updated Impact Assessment](#)', accessed 27 March 2019
- HM Revenue and Customs, '[Letter to Rt Hon. Sir Edward Davey MP](#)', 6 March 2019
- House of Commons Library, '[Tax Avoidance and Tax Evasion](#)', 11 March 2019

House of Lords Library briefings provide a selection of politically balanced reading material intended to help Members prepare for debates. Briefings are published on the Library's [parliamentary intranet site](#) in advance of debates, and are also automatically emailed to those Members who have their name on the speakers' list.

Please respect the copyright of the owners of the documents cited. The Library is not responsible for either the views or the accuracy of external content. Any comments on Library briefings should be sent to the Head of Research Services, House of Lords Library, London SW1A 0PW or emailed to purvism@parliament.uk.