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HMRC Consultation on Direct Recovery of Debts

July 2014

Introduction

TISA is a not-for-profit membership association operating within the financial services industry.

TISA's membership comprises over 145 member firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including banks, stockbrokers, asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers and pension providers.

What makes TISA unique is that its membership covers the entire industry, incorporating cross sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects, which improves industry performance and puts us in the unique position of being able to constantly challenge the status quo to bring about material improvement. At the forefront in all of our recommendations and actions is to consider national and consumer outcomes.

TISA response

TISA opposes the proposals.

We see no value in responding to the individual questions as we believe the consultation is misguided.

TISA believes that the questions in the consultation miss the point about the relationship between the taxpayer and the state, and that the changes recommended are disproportionate to the amounts at stake – some £100m a year – and the numbers involved – some 17,000 individuals out of 30 million taxpayers in the UK.

We believe that where a taxpayer is recalcitrant, then the Courts are the best places for HMRC to seek redress, as the UK's Courts are used to handling cases where a debtor is recalcitrant. We do not see that the Consultation Paper has made a compelling case for change.

HMRC has a fine and deserved reputation as a collector and enforcer of taxes. HMRC has shown it is willing and able to use the Courts and to abide by decisions whichever way the Courts decide.

We should not like to see HMRC be more like the US IRS, and we were uncomfortable reading a justification based, in part, on the argument that the IRS has such powers. The IRS is quite feared and its behaviour is currently the subject of fierce political dispute in the US. We have no view on the rights and wrongs of the dispute, but note that the very fact of there being a prolonged political dispute over the use of IRS powers is worrisome.

What is being proposed is an administrative solution to a problem, where one party – the United Kingdom Government - is on one side, and the taxpayer is on the other. From the Government's figures, most of the taxpayers are not rich. Indeed, the Consultation Paper talks of repayment of overpaid tax credits.

We are concerned with the likely cost of error. Institutions make mistakes. If HMRC makes a mistake and seizes money in error, the costs of rectification for the taxpayer are high, quite apart from the length of the process.

The process proposed to be used by HMRC before using direct recovery of debt could just as usefully be used to support the HMRC position in a Court process.