HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon. the Lord Forsyth of Drumlean
Chair, House of Lords Economic Affairs Finance Bill Sub-Committee
House of Lords
London
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22 January 2019

Making Tax Digital for VAT: Treating Small Businesses Fairly (HL 229)
The Powers of HMRC: Treating Taxpayers Fairly (HL 242)

Further to my letter of 24 December 2018, I now attached a detailed, comprehensive response to the substance of both of the reports recently published by the House of Lords Economic Affairs Finance Bill Sub-Committee.

In preparing this response, the government has considered the issues your Committee has highlighted carefully. In providing oral evidence to your Committee, senior HMRC and HM Treasury officials have listened and understood the depth of feeling here. As you will see from the detailed response which I enclose, HMRC will take forward a number of actions as a result of your reports, including looking at options to strengthen the effectiveness of current safeguards for taxpayers, such as the Adjudicator’s Office, and utilising the new Customer Experience Committee and Compliance Reform Forum to support this work. I am pleased to say that the government has accepted the majority of your recommendations in whole or in part. I am grateful to you and your Committee for its careful consideration and reflections on these important issues.

You have also written to me separately on 16 January about the amendment that was made to the Finance Bill. As you are aware, the government chose to accept New Clause 26. The Chancellor will therefore lay a report no later than 30 March 2019 reviewing the effects of changes made by clauses 79 and 80. This report will
also include a comparison with the time limits for the recovery of lost tax relating to disguised remuneration (DR) loans.

As I stated during the passage of the Bill, this report will come too soon for the measures to have had a real effect, but the government is committed to setting out the rationale for its policies. As you may be aware, the Chancellor has agreed to meet a cross-party group of MPs to discuss how to take forward this issue, within the scope and timeframe which the amendment sets out. The government will of course consider all the relevant evidence already available, including the individual accounts that you have sent across with your letter. HMRC engages with those affected by the loan charge as part of its normal business, and will continue to do so.

This government believes that it is important to tackle tax avoidance, and HMRC is helping thousands of scheme users to get out of tax avoidance for good. HMRC is also looking to support those who will be affected by the charge on DR loans. It will consider all personal circumstances to agree a manageable and sustainable payment plan wherever possible and has put simplified payment terms in place for individuals looking to settle their tax affairs before the charge takes effect in 2019.

I would like to thank you again for your work in this area.

Yours

[Signature]

RT HON MEL STRIDE MP