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The Inland Revenue

GOVERNMENT MACHINERY

Folder: Inland Revenue Management Plan
1990-91 and 1992-93

Departmental statement 1990-91

June 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9.6.86							
3.7.86							
22.7.88							
1.8.88							
12.2.90							
27.7.90							

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Inland Revenue documents

Reference:

Description: Inland Revenue Departmental Statement 1990-91

Date: June 1990

Reference:

Description: Inland Revenue Management Plan 1990-91 to 1992-93

Date: February 1990

The above documents, which were enclosed on this file have been removed and destroyed.

Such documents are the responsibility of the Inland Revenue and their successors. When released they will be available in the appropriate Inland Revenue Classes.

Signed

J. Gray

Date

26/10/2016

PREM Records Team



Inland Revenue

The Board Room
Somerset House
London WC2R 1LB

Sir Anthony Battishill *kcs*
Chairman

071
Telephone 01-438 7711

PERSONAL

Andrew Turnbull Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

27 July 1990

Dear Andrew,

When we spoke at No.11 I said I would send you
copies of our published Management Plans.

The larger document covers our plans for three
years. The smaller one sets out our more
immediate operational plans and targets for the
current year. They were published in February
and June respectively. Angus Fraser has, of
course, seen them.

*Yours and,
Tony*

(A M W BATTISHILL)

*in folder
attached*



Neil Stur

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 February 1990

Dear John,

INLAND REVENUE COMPUTER WORK

The Prime Minister was grateful for the Chancellor's minute of 8 February. She is content to accept his judgment that the privatisation option should not be pursued.

*Yours,
Paul*

(PAUL GRAY)

John Gieve, Esq.,
HM Treasury.

PERSONAL AND COMMERCIAL IN CONFIDENCE

John Gieve

010



Pie Minute

I recall you thought that
privatisation could offer
individual relations
challenges, given

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

Yes - his mind
is mad as
pub

PRIME MINISTER

No danger of the unions targeting
key computer installations. That point
is not raised here. But would be
except the Chancellor's judgment that
privatisation should not be pursued?

INLAND REVENUE COMPUTER WORK

Recs
9/2

I believe Nigel Lawson mentioned to you last summer the
possibility of privatising the Inland Revenue's computer work and
staff, following approaches from ICL and CSC.

2. The idea turned on some kind of joint venture or Facilities
Management, with the private sector taking over the Revenue's
existing IT operation lock stock and barrel.

3. Nigel authorised the Revenue to hold exploratory discussions
with the two companies, in confidence and wholly without
commitment, and also to find out more about how Facilities
Management arrangements generally worked in the United States
where they are most developed and widespread. He also asked the
Revenue to look carefully at the downside risks involved.

4. Nigel was in the process of considering this with the Revenue
in the autumn. I have now looked at the whole issue myself and
concluded, with reluctance, that it is not something to pursue, at
least for the time being.

5. Privatising a major Department's whole computer effort has
obvious attractions in the broader context of our policy of
getting work out of the Civil Service unless it clearly needs to
be done there. And in the narrower management context we need to
explore any realistic possibility of tackling the growing problem



of recruiting, retaining and motivating enough key staff for essential Government computer work, given the national shortage of good people and market rates.

6. The Revenue has a good record in administrative computing and its IT staff are proving highly marketable. (They have just lost their newly appointed Director of IT to the Pru.) Indeed, both interested companies saw Revenue IT staff as the basis of an expanding business taking over public sector operations.

7. However there are also serious potential drawbacks and some political risk in putting Revenue work into private hands.

8. Three seem to me to be particularly important.

9. Maintaining public confidence in the complete privacy of taxpayers' personal and business affairs is an obvious one. Contractual safeguards could be built in but the problem of public perception would be more difficult to tackle. Taxpayer records would be seen to be handled (in the computer sense) outside the public service.

10. Concern for Budget secrecy is another. Again, no doubt, the private sector would give us assurances (and the Revenue already employs consultants in its computer work), but I suspect that there could be some public unease about the handling of Budget information which could be difficult to handle.

11. The third is the likelihood that the successful bidder would be an overseas, almost certainly a US, company. We could not, consistently with our treaty obligations, restrict tendering to UK companies. We have a developing IT systems and system support industry but its strength and track record in this particular field makes it unlikely that it could match the competition. ICL are not in this kind of business: they are still essentially



supplier of computer hardware. I believe it would be politically unacceptable for all or a major part of the UK Revenue's work to be transferred to an overseas bidder.

12. For these reasons, I would certainly not want to privatise all the Revenue's computer work at one go. But the network is too closely integrated to allow us progressively to test the water with smaller privatisations.

13. My reluctant conclusion is that the potential benefits in this particular case of privatisation are more than outweighed at present by the drawbacks. Tax administration, and the handling of personal tax records, as the US authorities seem to have concluded, are too sensitive for a pioneering exercise in privatising Government computing on this scale.

14. We have already gone some way to introduce pay and personnel management flexibilities to help Departments like the Revenue to maintain an effective IT capacity within the Civil Service. Here and elsewhere we need to ensure that we make the system more flexible still, particularly for key individuals.

15. I have also asked the Revenue Chairman to pursue vigorously the range of important decisions which will be needed for maintaining the Revenue's success in computing, including the most effective and efficient sources of hardware and other continuing private sector support. In particular he will follow up the initiative which is already in hand, following discussion with the 'Next Steps' team to give the Revenue's IT Division an even more heightened role and accountability for the important IT developments which the Revenue are planning for the 1990s.



16. Peter Lilley has identified a number of possible options for consideration in the Next Steps context, including:

- keeping the IT Division in its present organisational relationship with the rest of the Revenue, but allowing it greater flexibility and more sharply defined accountability and responsibility;
- setting it up as an Inland Revenue Agency;
- setting it up as an Agency with an explicit intention of later 'privatisation'; and
- if there are divisions that could sensibly be made within the existing organisation, for example between operations and development, to consider setting up separate Agencies or separate executive accountable units.

17. I shall want to consider the outcome of this work with Peter and with the Chairman later this year. Meanwhile I propose to authorise the Revenue to inform ICL and CSC of our decision.

This is wildly de-appropriating but
I'm sure it is right. The potential
future advantage does not meet
the certain immediate row on
parity.

[J.M.]
8 February 1990

CONFIDENTIAL



CC 80

nbpm

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

1 August 1988

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
2 Marsham Street
London SW1

Dear Secretary of State

Thank you for your letter of 27 July in response to mine of 22 July.

I am grateful for your agreement that the Valuation Office should continue to withdraw from right to buy work, in some hard pressed areas. As you say, this would not affect their statutory responsibility. Together with all the management steps we have identified, this will go some way towards meeting the immediate problem.

I remain concerned, however, that if we do not act urgently to pre-empt a surge in largely opportunistic appeals against valuations on the 1973 Valuation List, there is a real danger that the Valuation Office will be unable to complete the rating revaluation in time to the standard of quality that we need. That is why I favoured an early announcement, with the aim of reducing the level of this appeal work.

On the other hand, I quite understand why you did not wish to make an announcement in the very short period that remained before the Summer Recess. A number of practical details remained to be resolved, including those mentioned in your letter, even if you had been able to agree to an early announcement.

You have suggested, and I agree, that officials should therefore consider the issues further. Mine will be able to explain to yours in detail why we feel that action is so important, and discuss the options (including Section 21 relief) that, following my letter, have been identified for dealing with the problem. Officials should complete their work before the end of September, so we can take a final decision during the Summer break, with a view to an announcement as soon as Parliament returns in the Autumn. We can then also consider whether to link an announcement to the details of transition, although I would be reluctant to delay an announcement about appeals any longer than is strictly necessary.



You also mentioned future non-domestic rating valuations, and the possibility of appeals against the 1990 List. I have noted the point, to which we will no doubt have to return, but I am sure that the priority should be to tackle the immediate problem we have now.

I am copying this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Patrick Mayhew and Sir Robin Butler.

Yours sincerely

Nigel Lawson

pp. **NIGEL LAWSON**

*[Approval by the Chancellor
and signed in his absence]*

Govt. Mach. The inland Revenue

June 86

2090



2 MARSHAM STREET
LONDON SW1P 3EH
01-212 3434

My ref:

Your ref:

16 pm

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

27 July 1988

Dear Nigel

will request if required

Thank you for your letter of 22 July about the workload on the Valuation Office in the run up to the 1990 revaluation.

I accept that the build up of appeal cases in relation to the 1973 list is a problem given the under-resourcing of the Valuation Office. I am therefore prepared for my officials to consider with yours, measures which would reduce the number of appeals during the remainder of the currency of this list. But I have to say that I do not regard it as in any way practical to contemplate making a statement on this matter before the recess.

There had been earlier discussions between officials about alternative ways of restricting numbers of appeals. But they were not concluded. Any curtailment of appeal rights is bound to be controversial and considerable thought needs to be given to precisely what it is we announce in this complex area. The definition of what is meant by a physical or material change of circumstance which would justify a further proposal is likely to cause difficulties. If we cannot be clear about what we mean, then the resulting uncertainty will itself generate a large volume of proposals from businesses seeking to protect their position.

I see no prospect, with less than one week's notice, of devising a suitable statement.

Despite the risk you identify of our intentions becoming known, therefore, I think we must plan any statement for the autumn. Presentationally, it would be advantageous if the statement could be linked to the announcement of our more detailed proposals for the transitional protection following the revaluation. There is evidence, as you say, that agents are urging people to appeal against 1973 values in order to protect their position on the transition.

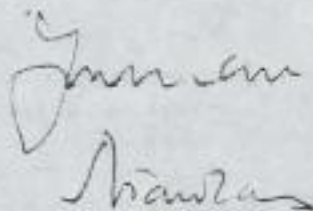
You raised 2 other items which you say will produce savings. On Section 21 relief, I am happy to consider some substantial increase in the limit below which increases in rateable value will not be taken into account. I have to say, however, that I

have doubts whether the powers in Section 21 to increase the present limit from £30 are broad enough to encompass a limit of £200 which is currently the average rateable value of a domestic property and would therefore exclude virtually any extension to a house from being rated.

On your other proposal, I understand that the Valuation Office is already having to withdraw from providing valuation services for local authorities in connection with the right to buy in certain areas, and I do not wish to raise any objection to this. District Valuers will of course need to continue to deal with statutory determinations of value under Section 128 of the Housing Act 1985.

While I am prepared for my officials to continue to work with yours in trying to find solutions to this immediate problem, I do not think the matter should stop there. We have now agreed on a return to regular non-domestic rating valuations and we can expect preparations for the next revaluation to be taking place against a background of unprecedented appeals from the 1990 list. I think our officials should certainly be looking forward to 1995 to ensure that a similar situation does not arise then and to examine the possibilities for more computer assistance with future valuations.

I am copying this to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Patrick Mayhew and Sir Robin Butler.



NICHOLAS RIDLEY

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(DM has seen)

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

22 July 1988

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

A handwritten signature in dark ink, appearing to read 'Nick Ridley'.

It is now clear that on the basis of realistic projections of workloads, the Valuation Office of the Inland Revenue have an insufficient number of valuers to undertake the full range of work arising during the period of the forthcoming revaluation of non-domestic rates. Indeed, the Valuation Office project a shortfall of the order of 300 in the number of professional valuers required to meet forecast work demands. If this mismatch of demand for the Valuation Office's services and their resources is not remedied the result will be a significant build-up of work arrears culminating in a backlog of the order of two years' work. Such an outcome would pose a serious threat both to the completion of the revaluation, particularly in London and the South East and to the flow of capital tax revenues to the Exchequer. I am sure you would agree that this would be unacceptable.

The general market for professional valuers is buoyant, and it is not possible in the short term to fill the gap by enhanced recruitment. I have, however, after a thorough internal review of the Valuation Office's operations and activities, asked the Chief Valuer to take a whole range of steps to reduce the problem, through, for instance, increased levels of overtime and, where appropriate, delegation of work. These measures will make a useful contribution of perhaps the equivalent of 70 valuers.

But these supply measures will not be enough. I have therefore looked carefully at options aimed at reducing the demand for Valuation Office services.

A substantial proportion of professional valuer resources is tied up in dealing with ratepayers' appeals against the 1973 list.

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(Only non-domestic rating is relevant here: non-professional staff do most of the domestic rating work). One might perhaps have expected the level of appeals to fall off in the last two years of the old list. The Valuation Office's assessment is, however, that this will not be the case. The main reasons for this are:

- there is a significant body of ratepayers, including large retail chains, who employ agents on a retainer basis and make annual appeals;
- far from decreasing, interest in the 1973 list has increased. Agents are urging potential clients to appeal so as to get as low a valuation as possible for the purpose of getting maximum advantage from transitional relief. Some are even advocating appeals simply on the grounds that the Valuation Office, hard pressed with the revaluation, might be less rigorous than usual in resisting them.

I have reluctantly concluded that if our priority work areas - revaluation and revenue work - are to be safeguarded then this can only be achieved by reducing the level of this appeals work. In other words, we shall have to restrict non-domestic ratepayers' rights of appeal. I am not proposing that we interfere in any way with appeal rights where there has been a change either of occupier or of material circumstances. We would simply remove the right of appeal from those who have had adequate opportunity to appeal in the past, and many of whom may have already done so. Such a restriction would free 150 or so professional valuers for other work. To be effective, this measure would have to be implemented from the date of announcement, and given retrospective effect by legislation in the next session. The legislative vehicle is for you, but the Housing and Local Government Bill would seem appropriate.

I recognise that this will be controversial, but I think it is entirely defensible, given that those affected have had plenty of opportunity to appeal already: the existing valuation list is now some 15 years old. I recognise that an early announcement enhances the degree of retrospection required in subsequent legislation, but the earlier the announcement, the greater the effect on valuer needs. Moreover, delay risks the possibility of our intentions becoming public - there is already much agent speculation on this issue. This could lead to pre-emptive appeals. For these reasons, I would favour an announcement before the recess. An announcement before the Summer might in any case be preferable on presentational grounds since it would remove a peg on which rating/community charge issues could be hung early in the next session.

Curtailement of appeal rights will have a substantial impact on the Valuation Office's problem. But it will by no means remove these

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problems completely. I have therefore identified two further measures which would further reduce the gap. These are:

- an increase in the limit (Section 21 relief) below which the value of improvements are not assessed by the Valuation Office. An increase from £30 to £200 would make a worthwhile contribution. This could of course be presented as a sweetener since it would in effect reduce the total rate bill by something of the order of £50 million in a full year;
- a complete withdrawal of the Valuation Office from right to buy work, in some hard pressed areas. In other words, this function would in effect be privatised.

Taken together with the steps I have identified to increase available resources, this package of options should enable the Valuation Office to devote adequate resources to our priority areas.

I realise that none of this will be welcome news to you, but I imagine it will not come as much of a surprise: I understand that your officials have already been in touch with mine recognising the potential problems, and the need to identify appropriate solutions. Subject to your agreement in principle, I suggest that we ask our officials to draw up the details of a package with a view to an announcement next week.

I am copying this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Sir Patrick Mayhew and Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large, stylized initial 'N'.

NIGEL LAWSON

PRIME MINISTER

9 June 1986

INLAND REVENUE

The present position of the Inland Revenue continues to give cause for concern.

Heavy arrears of work have been reduced to some extent as a result of negotiating the end of the staff overtime ban, but there is still a long way to go. The Revenue are short of staff in the South East and have been losing trained staff to professional firms and corporate tax departments. Pay may be part of the problem, but there are grounds for thinking that a number of tax officials believe that they would prefer the atmosphere of a professional office rather than the aggressive attitude towards the taxpayer which they feel themselves under pressure to adopt.

The latest problem is that the Inland Revenue have informed professional bodies that the Technical Division will in future respond to queries from tax practitioners only in respect of recent legislation and changes in practice. This is looked on as "tit for tat" because of the loss of Revenue staff to tax practitioners. It can hardly be helpful to the efficient conduct of business. It is also a symptom of a deep malaise in relationships between Revenue and taxpayer.

The Revenue needs more staff, particularly to deal efficiently with the larger number of self-employed people and small businesses. These involve more work per taxpayer than the large payrolls of firms such as GEC and ICI; but a less penny-pinching approach might, however, give better value for money here.

The tax law needs better drafting, as exemplified by the recent problem with charities in the Finance Bill, where seven papers of "gobbledegook" have had to be withdrawn for rethinking, and the golden handshakes muddle referred to in Friday's Financial Times article attached. The method for bringing forward technical legislation needs rethinking to give better consultative arrangements before the introduction of Bills in the House.

There is considerable nervousness about the proposed introduction of the Keith Committee's proposals, which are perceived to give the Revenue draconian powers at a time when its performance leaves much to be desired.

The appointment of a new Chairman of the Board, effective from 1 July following Norman Lamont's recent appointment as Financial Secretary, would seem to provide a golden opportunity for you to ask the Chancellor to head a Review of the Revenue's workings, with a view to improving its morale, staffing, efficiency and relationships with the taxpayer. It needs to be perceived as an even-handed organisation where the honest taxpayer feels that he has a fairer deal and better service than is the case at present, as envisaged in the concept of a "taxpayer's charter", on which the Treasury have been asked to work.

David Hobson —

DAVID HOBSON

Clive Wolman on the background to a taxation error

Golden handshakes floor Inland Revenue

THE Inland Revenue admitted this week that it was the victim of a complicated tangle, of the sort that has often entrapped taxpayers, and which is largely of its own making.

On Wednesday it announced that people who have received golden handshakes over the last four years of more than £50,000 will be entitled to a tax rebate following the discovery of a drafting error.

The Revenue estimates that the beneficiaries of the error, who will receive rebates of up to £7,500, plus interest, are numbered only in hundreds. But solicitors in the City of London deduce from their own records that the number must be substantially higher so that the loss of tax could exceed £10m.

The bungle highlights two characteristics of the process of drafting tax legislation in the UK which have often been criticised by the Institute of Taxation and other tax consultants.

Legislation is drafted by parliamentary counsel following the guidelines of the Inland Revenue which then checks it to ensure that its policy has been followed.

A SHADOW minister warned yesterday that the Labour Party would launch a "vicious attack" on the Government's handling of the golden handshake legislation.

Dr Oonagh McDonald, a Labour Treasury spokesman, said: "I deplore yet another example of the way in which

One criticism is that the drafters have preferred to add more and more amendments to legislation over the years instead of making a clean sweep by re-writing entire sections from scratch.

According to one solicitor, Mr David Landau, a clerk to the General Commissioners of Tax: "They always prefer to graft on even when what is really needed is a transplant."

In this case, the basic legislation appears in an act which dates back to 1970 and has been the subject of several hundred amendments since.

The clauses and schedule dealing with the taxation of golden handshakes were

the Government looks after the rich.

"Not only are executives receiving these tax refunds on golden handshakes, but they are also being told exactly how to get the refunds.

"Just how much is the average taxpayer going to have to shell out to pay for tax refunds of the fat cats?"

amended in 1981 and 1982. The underlying principle is a simple one, that larger redundancy payments should be subjected to higher rates of tax, just as regular income is.

But section 43 of the 1982 Finance Act and the cross-referenced sections in the 1970 act expressed the principle in such a convoluted fashion that the only people who could understand them were a few tax practitioners who specialised in executive benefits. Even they were uncertain about the effects of the provisions.

Mr John Clark, tax partner of solicitors Norton Rose and chairman of the Institute of Taxation's technical committee,

believes that the Revenue should publish a schedule which incorporates the amendments into the original legislation.

Equally important, the institute has proposed for years that, on complex technical issues, draft legislation should be published several months in advance to allow for consultation. In addition last month it called for a parliamentary select committee to be set up to scrutinise all tax legislation. "When the Finance Bill is being debated, there is never enough time and changes go through without the appropriate degree of attention," Mr Clark says.

The Government has partially accepted the institute's advice in recent years, publishing advance proposals on the taxation of government securities and of British-controlled foreign companies. This year, however, it angered tax practitioners by failing to publish advance proposals for the introduction of inheritance tax and the crack-down on tax avoidance by charities. The Government withdrew the latter proposals earlier this week in response to technical objections.



for
Cassell's

10 DOWNING STREET

- B | B | F
- (1) Too late // Tuesday
please
 - (2) Young - as free advice
since loss of people.
 - (3) TTB - Peter Rowland
 - (4) Keith - a balanced
package.
 - (5) Renew. Particular things.
Effect on morale.

—
Management initiatives.
Relationship between Revenue
& accountants.

BJP

PRIME MINISTER

9 June 1986

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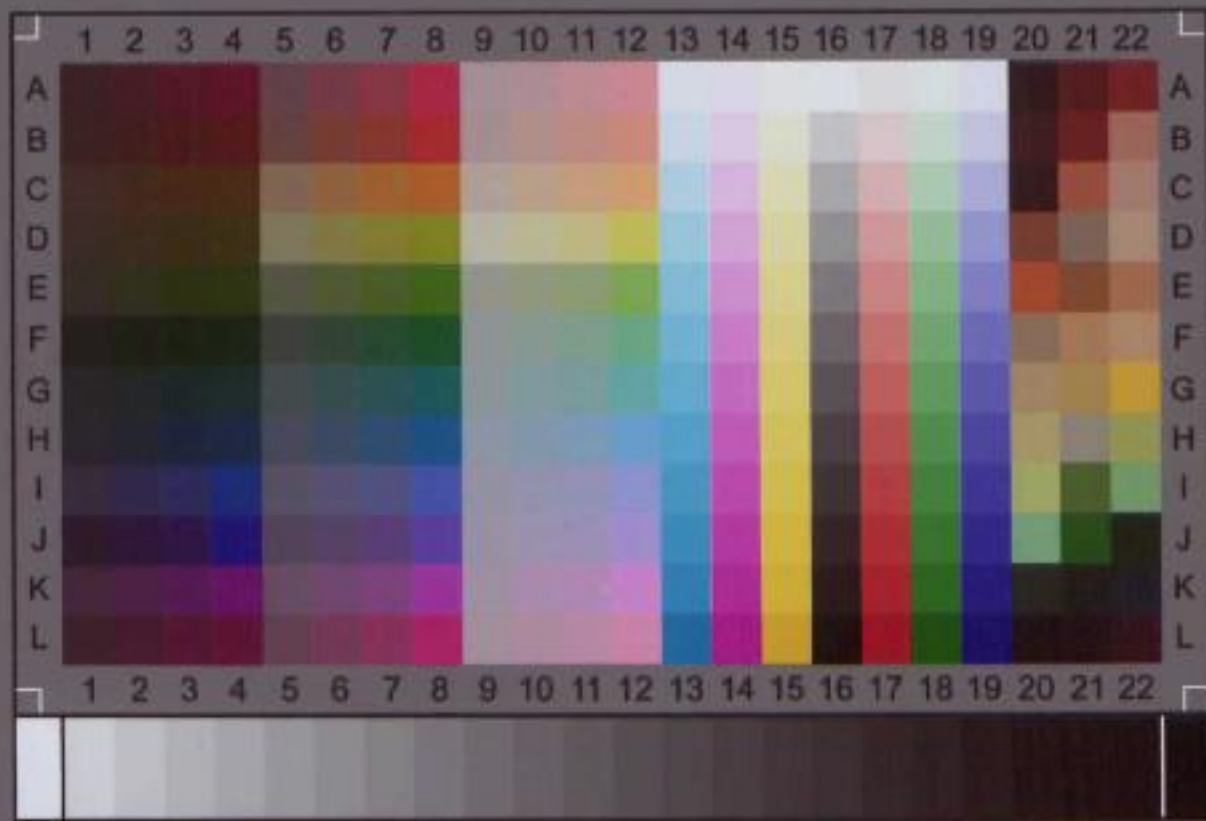
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