

National Assembly for Wales
Finance Committee

Collection and management of devolved taxes in Wales

May 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Finance Committee

The Committee was established on 22 June 2011. The Finance Committee's role is to carry out the functions set out in Standing Order 19. This includes consideration of the use of resources by the Assembly Commission or Welsh Ministers, and in particular reporting during the annual budget round. The Committee may also consider any other matter relating to expenditure from the Welsh Consolidated Fund.

Their remit also includes specific statutory powers under the Public Audit Act 2013 relating to new responsibilities for governance oversight of the Wales Audit Office.

Current Committee membership:



Jocelyn Davies (Chair)
Plaid Cymru
South Wales East



Peter Black
Welsh Liberal Democrats
South Wales West



Christine Chapman
Welsh Labour
Cynon Valley



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Ann Jones
Welsh Labour
Vale of Clwyd



Julie Morgan
Welsh Labour
Cardiff North



Nick Ramsey
Welsh Conservatives
Monmouth

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Chair's foreword

Following on from our inquiry and the two subsequent reports into Best Practice Budget Procedures and in anticipation of the forthcoming legislation the Committee thought conducting this short inquiry into the collection and management of devolved taxes would add value to the upcoming work relating to taxes.

The Committee were impressed by the evidence given by the representatives of Local Government during the course of the inquiry, and we are disappointed that it seems clear that, due to the reorganisation taking place in local government, they will not be in a position to collect these taxes when required in 2018. However, we sincerely hope the expertise of local government will be utilised during the coming years to ensure an integrated tax system is developed in Wales.

The evidence showed that the primary requirement of stakeholders in taking forward the collection and management of devolved taxes is the need for consistency, stability and flexibility. As a Committee we hope that the joint working arrangements that exist between us and the Welsh Government will contribute to ensuring this time of transition meets the requirements of the stakeholders.

We hope our inquiry on the collection and management of taxes in Wales is helpful to the Minister in her consideration of which body should collect the devolved taxes.



Jocelyn Davies
Chair

The Committee's Recommendations

Recommendation 1. The Committee is disappointed that the two main tax collection bodies do not seem to have been asked to produce a business case with detailed costings in relation to collecting devolved taxes, and recommends the Welsh Government publish details of any costings information available for all options this summer alongside the Bill on the collection of taxes. (Page 15)

Recommendation 2. In view of the lack of costings available the Committee is unable to make a firm recommendation on who should collect taxes at this stage. However, we would recommend that the collection of taxes follows a phased approach for the first few years after the devolution of Welsh taxes. This should allow the opportunity for consistency in the first years of the new Welsh taxes, but will ensure there is scope for a change in future, either when Welsh Local Government is in a clearer position post reorganisation or the Welsh Revenue Authority has developed the skills, knowledge and expertise to effectively collect taxes with minimum disruption to the taxpayer. (Page 15)

Recommendation 3. The Committee believes that while spending departments should be consulted on tax policies, the Minister for Finance must manage the Welsh tax system in an integrated way. The Committee recommends that the Welsh Government give consideration to reviewing tax policy crossing ministerial portfolios with responsibility for devolved taxes resting within the portfolio of the Finance Minister. (Page 16)

Recommendation 4. The Committee recommends that stakeholders are represented on the board of the Welsh Revenue Authority. (Page 21)

Recommendation 5. The Committee recommends the tax collection approach by the Welsh Revenue Authority should not vary from the UK unless there are clear reasons why the Welsh approach should be different. (Page 21)

Recommendation 6. The Committee recommends that to ensure the Welsh Revenue Authority operates the tax system in a transparent way there should be direct accountability to the Assembly with scrutiny through an Assembly Committee, This should include six monthly implementation reports leading up to 2018, beginning immediately. (Page 21)

Recommendation 7. The Committee recommends that the Welsh Government provide a further update on their consideration of recommendation 7 (considering establishing of a Welsh fiscal commission) in the Best Practice Budget Process report. (Page 22)

Recommendation 8. The Committee recommends that a decision on whether to create a Welsh fiscal commission should allow sufficient time for it to be properly implemented by 2018. (Page 22)

Recommendation 9. The Committee recommends consideration should be given to how tax devolution can be clearly communicated to practitioners in both Wales and England, and the Welsh Revenue Authority should have clear branding to ensure it has a clear identify with the public. (Page 22)

Recommendation 10. In considering options for encouraging tax compliance and resolving tax disputes the Committee recommend the Welsh Government consider making use of local government expertise and flexibility of practices in relation to tax recovery. (Page 23)

Recommendation 11. The Committee recommends that the Alternative Disputes Resolution system is used, and should include direct contact with taxpayers before considering penalties or expensive court action. (Page 23)

1. Introduction

Background

1. From April 2018 Wales will need to have a system for collecting and managing new devolved Welsh taxes. As part of its [Welsh Treasury Implementation Programme](#), the Welsh Government has decided to bring forward legislation on tax collection and management first. A Bill on these arrangements is due to be introduced to the Assembly in summer 2015.

2. In preparing for these new responsibilities the Welsh Government published the White Paper, [Collection and management of devolved taxes in Wales](#). This White Paper was the first of three consultations concerning proposals for Welsh taxes, the closing date for this consultation was 15 December 2014. The key areas covered in this consultation were:

- the establishment of a Welsh Revenue Authority (“WRA”), along with governance and reporting;
- which bodies should collect and manage devolved taxes;
- obligations on taxpayers;
- encouraging tax compliance;
- addressing tax avoidance, taking an “anti-abuse” or wider “anti-avoidance” approach; and
- resolution of tax disputes.

3. The Welsh Government’s other consultations concerning developing a Landfill Disposals Tax and proposals to introduce a Land Transaction Tax to replace Stamp Duty Land Tax in Wales have taken place. It will be for the next Welsh Government to take forward legislation in relation to these taxes to be implemented in April 2018.

4. At its meeting of 4 February 2015, the Finance Committee (“the Committee”) agreed to undertake an inquiry into the collection of devolved taxes with the aim of taking a view on which organisations are the most appropriate organisations to collect devolved taxes in the short and longer term.

Terms of Scrutiny

5. The Committee agreed the following terms of reference for its inquiry:

To consider:

- the most efficient organisations to collect devolved taxes in the short and longer term; and
- the balance between the need for stability and opportunities to develop taxes tailored for Wales in the future.

The Committee's approach

6. Between 23 March 2015 and 24 April 2015, the Committee conducted a public consultation to inform its work, based on the agreed terms of reference. A list of respondents is at Annex B.

7. In addition, the Committee held oral evidence sessions with a number of witnesses at Annex A. This report outlines the Committee's findings and makes a number of recommendations to the Welsh Government, in relation to:

- Delegation of tax collection, and
- The role of the Welsh Revenue Authority

2. Delegation of tax collection

Background

8. The Welsh Government's White Paper on [Collection and management of devolved taxes in Wales](#) and the Draft Regulatory Impact Assessment suggest three main options for collecting taxes:

- using a single organisation to collect and manage - WRA would delegate collection and management of taxes to a single organisation (e.g. HMRC);
- using multiple organisations to collect and manage - several organisations would collect various taxes (e.g. Natural Resources Wales or local authorities); and
- retaining tax collection and management wholly within the corporate body - WRA would develop in-house expertise to collect taxes directly.

Evidence

9. Evidence presented to the Committee identified a number of factors which should be considered when making decisions in relation to the collection of taxes, these include:

- minimising administrative burdens for business;¹
- administrative costs should be low by utilising existing systems;²
- not placing additional complexity and reporting burdens on small businesses.³

10. In addition to the above factors, the Welsh Local Government Association ("WLGA") detailed the principles which they believe should underpin a tax collection system:

- "a. Minimise leakage and avoidance
- b. Maximise collection
- c. Minimise burdens on businesses / taxpayers

¹ Written evidence, CMDT01

² Written evidence, CMDT03

³ Written evidence, CMDT02

d. Minimise complexity

e. Minimise administration costs.”⁴

11. Some of the evidence received identified concerns on cross border tax collection issues. The Chartered Institute of Taxation raised this as a concern⁵, as did Mr Evans, a practising solicitor⁶, whilst the WLGA said processes needed to be simple to assist solicitors on both sides of the border.⁷

12. The WLGA had a clear position on who should collect taxes, they said:

“Local authorities in Wales are best placed to collect and manage devolved taxes. They already have systems in place to undertake the management and collection of taxes and/or sundry debtor accounts.”⁸

13. The WLGA expanded on this during oral evidence, stating that there is tax collection expertise in local government which should be tapped into.⁹

14. However, the WLGA and local authority representatives did not think it was feasible that local government would be in a position to collect the taxes by 2018. The WLGA’s written evidence outlined the reasons for this:

- “ - The future shape of local government is not yet determined, but the transition process will encompass April 2018 when the Welsh devolved taxes become operational. The degree of uncertainty means that it is extremely difficult for individual authorities to commit to new responsibilities from 2018;
- Timescales have not allowed for the development of a sufficiently robust proposal with all of the consultation that this would require. Councils are focused on achieving balanced budgets for 2015-16 and implementing savings plans. The level and scale of cuts that need to be addressed

⁴ Written evidence, CMDT03

⁵ Written evidence, CMDT01

⁶ Finance Committee, ROP, 29 April 2015, paragraph 99

⁷ Finance Committee, ROP, 23 April 2015, paragraph 277

⁸ Written evidence, CMDT03

⁹ Finance Committee, ROP, 23 April 2015, paragraph 198

means that there is not the capacity at the senior level required to give this proposition the serious consideration needed within the timescales available;

- A detailed process map would need to be developed which sets out all the steps involved, what can be provided within current systems and what needs to be developed separately;
- Discussions would need to take place at an all-Wales level at both political and officer fora to agree whether one or more authorities should seek to provide these services, and which authority(ies) this should be;
- Further work would be required with the authority(ies) to discuss the details of how this might work and to provide robust estimates of the potential costs involved.”¹⁰

15. However, in oral evidence the local government representatives said that the timeframes around the changes prevented them from giving a firm commitment to being able to take forward tax collection, they said:

“...if Welsh Government were able to give a longer lead-in time and said to local government, ‘Could you commit to delivering it by 2018?’ I think the answer could be ‘Possibly yes’, but if you need that answer by next month, then we wouldn’t be able to give that commitment in such a short timescale.”

“...It’s the timescales of decision making that are perhaps the obstacle for us. It’s not the logistical exercise and the operation of making it work. I think we could make it work within that three-year window, but it’s the decision making within the WLGA, Welsh Government and others that perhaps prevents that. But, I think, on the ground, operationally, there’s no reason why we couldn’t do it.”

“... That point was made in the WLGA response. It was because it’s such a short turnaround for a commitment that the answer is ‘Probably no’. If Welsh Government were able to extend the period for Welsh Government to work up an operating model, then I think it’s a possible ‘yes’. The only sort of problem in the

¹⁰ Written evidence, CMDT 03

future is, with the local government reorganisation, you'd have to have some certainty about how that landscape was looking, to make sure that you're not putting in place an operating model that would need to change within two years."¹¹

16. The WLGA said if the delegation of taxes was to local government, there was the possibility that just one local authority could take responsibility on an all-Wales basis, or one authority in each region.¹²

17. There was some consensus that collection of taxes by a single body would be helpful and ease the burden on taxpayers. The Federation of Small Businesses Wales ("FSB") thought the WRA should be the body to collect and manage taxes. They said this approach would limit confusion as delegation of taxes could complicate the process of payment for small businesses in Wales.¹³

18. The Chartered Institute of Taxation said they have a preference for:

"a single national body ideally with expertise and experience of tax collection and management (or access to such expertise) because this option provides a consistent approach (rather than the risk of variations at the local level) which can be also adopted for current and future devolved taxes. However there may be a clear rationale for an existing body to manage and collect particular devolved taxes."¹⁴

19. Professor Holtham thought taxes should be collected by "existing organisations".¹⁵ This was echoed by the Low Income Tax Reform Group who said:

"We are concerned that changes from the existing established system may result in confusion for unrepresented and vulnerable taxpayers."¹⁶

20. The current collection of taxes is undertaken by HMRC, the WLGA were critical of the HMRC's performance in this area they said:

¹¹ Finance Committee, ROP, 23 April 2015, paragraph 349-353

¹² Written evidence, CMDT03

¹³ Written evidence, CMDT02

¹⁴ Written evidence, CMDT01

¹⁵ Written evidence, CMDT05

¹⁶ Written evidence, CMDT07

“...when you look at the tax gaps in Her Majesty’s Revenue and Customs, central Government aren’t very good at collecting taxes’. And, indeed, if HMRC was as efficient as local government at collecting taxes, there would be an extra £20 billion in the exchequer.”¹⁷

21. However, Professor Holtham thought tax collection should remain with HMRC at the moment due to the changes in local government, he said:

“It may be that if local authorities are consolidated, there could be an even greater consolidation of local authority tax collection. If there were a single or few local authority tax collection agencies, it or they might provide an alternative to HMRC for the collection of stamp duty on residential property transactions or landfill tax. That possibility would provide some potential competition for HMRC. However, that is not the case at present and it seems that HMRC is currently the best option for the minor taxes being devolved.”¹⁸

22. Professor Holtham also made the point that the taxes currently devolved to Wales will provide very little revenue, “so you don’t want to be eating into that by setting up a whole new agency if you can do it through the existing agencies”.¹⁹

23. Professor Holtham said that there could be an element of incentivisation to improve the collection rate of HMRC.²⁰

24. HMRC said they are working with Welsh Government to understand their plans for collecting the devolved taxes. Once these are clarified HMRC will be in a position to provide an estimate of the costs they would incur if HMRC collected the taxes. HMRC provided a similar cost estimate to the Scottish Government based on the implementation costs to adapt their existing systems, as well as the ongoing costs.²¹

¹⁷ Finance Committee, ROP, 23 April 2015, paragraph 198

¹⁸ Written evidence, CMDT05

¹⁹ Finance Committee, ROP, 29 April 2015, paragraph 336

²⁰ Finance Committee, ROP, 29 April 2015, paragraph 334

²¹ Finance Committee, ROP, 13 May 2015, paragraph 300

25. In terms of the costs of collecting devolved taxes the evidence presented by the WLGA²² and local authority representatives, and HMRC²³ suggested that there had not been any business cases with detailed costings on the collection of devolved taxes prepared.

26. Whilst this section is primarily around tax collection the issue of tax policy was raised during evidence, with Professor Holtham saying “tax policy should be the undivided responsibility of the Finance Minister”. Professor Holtham believes there should be an integrated tax system with devolved taxes, council tax and business rates managed together by the Finance Minister rather than split across departments.²⁴

Committee view

27. The Committee was impressed by the commitment and desire shown by local government in relation to the collection of taxes. There is clearly expertise in local government which should be utilised in Wales.

28. However, it is clear that taxpayers, solicitors and businesses will expect systems to meet clear principles of consistency, simplicity and reliability. As a business case detailing the system local government would operate if they had a role in the collection of taxes is not available, the Committee cannot support local government in Wales having a major role in the collection of taxes in Wales at this stage.

29. There is clearly a benefit of these taxes being collected by a Welsh body, such as the WRA. However, again for the reasons of consistency, simplicity and reliability the Committee does not think that at this stage collection of taxes should be undertaken by the WRA.

The Committee is disappointed that the two main tax collection bodies do not seem to have been asked to produce a business case with detailed costings in relation to collecting devolved taxes, and recommends the Welsh Government publish details of any costings information available for all options this summer alongside the Bill on the collection of taxes.

²² Finance Committee, ROP, 23 April 2015, paragraph 349

²³ Finance Committee, ROP, 13 May 2015, paragraph 301

²⁴ Finance Committee, ROP, 29 April 2015, paragraph 257

In view of the lack of costings available the Committee is unable to make a firm recommendation on who should collect taxes at this stage. However, we would recommend that the collection of taxes follows a phased approach for the first few years after the devolution of Welsh taxes. This should allow the opportunity for consistency in the first years of the new Welsh taxes, but will ensure there is scope for a change in future, either when Welsh Local Government is in a clearer position post reorganisation or the Welsh Revenue Authority has developed the skills, knowledge and expertise to effectively collect taxes with minimum disruption to the taxpayer.

The Committee believes that while spending departments should be consulted on tax policies, the Minister for Finance must manage the Welsh tax system in an integrated way. The Committee recommends that the Welsh Government give consideration to reviewing tax policy crossing ministerial portfolios with responsibility for devolved taxes resting within the portfolio of the Finance Minister

3. The role of the Welsh Revenue Authority

Background

30. The Welsh Government's White Paper on [Collection and management of devolved taxes in Wales](#), states that based on international best practice, the corporate body undertaking the collection and management of taxes should be operationally separate from Government Ministers.

31. The UK Government has vested powers of tax collection and management in the HMRC Commissioners, and the Scottish Government plans to vest powers in a legally-constituted specialist tax authority [Revenue Scotland](#). Both these approaches enable operational matters to be separated from Ministers.

32. The White Paper proposes the creation of a WRA as a non-ministerial department.

33. In consideration of the WRA the Committee considered:

- accountability and the future role of the Welsh Revenue Authority; and
- encouraging tax compliance and resolving tax disputes.

Accountability and the future role of the Welsh Revenue Authority

34. The creation of the WRA was referred to as an "historic event".²⁵ The Law Society said it was important to "get it right so it's something that will see us through for decades and not something that will need to be varied in the short term".²⁶

35. This view was echoed by the FSB who said the WRA needs to be established with a view to devolution of further taxes to Wales.²⁷

36. Much of the evidence stressed the need for the WRA to be separate from the Welsh Government. The Chartered Institute of Taxation said the WRA needed to be a non-ministerial department to

²⁵ Finance Committee, ROP, 29 April 2015, paragraph 178

²⁶ Finance Committee, ROP, 29 April 2015, paragraph 178

²⁷ Written evidence, CMDT02

ensure operational independence, with “clear lines of accountability to the Welsh Assembly with proper scrutiny”.²⁸

37. The WLGA agreed the WRA should be independent of the Welsh Government and have accountability to the Assembly.²⁹

38. The FSB and the Low Incomes Tax Reform Group³⁰ agreed that the WRA should be accountable to the Assembly, and the FSB suggested the Finance Committee should play a role in scrutinising the authority.³¹

39. The Law Society said the WRA needed to be accountable:

“... in terms of direction and delivery. Looking at the engagement with the Assembly, we would want to see a robust system put in place to ensure that the revenue authority is truly answerable – that there isn’t just the usual process of laying an annual report and coming to answer questions.”³²

40. Revenue Scotland said they provided six monthly progress reports during the implementation period to the Scottish Parliament’s Finance Committee.³³

41. Revenue Scotland outlined the safeguards in place to ensure independence from the Scottish Government, they said:

“We’re an independent body within the Scottish administration, if you’re interested in the constitutional niceties, which means that our staff are civil servants and our board members, collectively, are an independent office bearer within what is called the Scottish administration, but quite distinct from Scottish Ministers. So, they’re not subject to ministerial direction. The legislation very carefully does not give Ministers any power of direction over Revenue Scotland, but it does require that Revenue Scotland—which is the Revenue Scotland

²⁸ Written evidence, CMDT01

²⁹ Written evidence, CMDT03

³⁰ Written evidence, CMDT07

³¹ Written evidence, CMDT02

³² Finance Committee, ROP, 29 April 2015, paragraph 95

³³ Written evidence, CMDT04

board—agree a corporate plan every three years with Ministers.”³⁴

42. In addition to formal accountability arrangements, the WRA also needs to be accountable to the taxpayer. Evidence suggested a taxpayers’ charter “to codify the relationship between the WRA and taxpayers”.³⁵

43. A taxpayers’ charter was also recommended by the Low Incomes Tax Reform Group “to ensure a consistent standard of service by the WRA and any external organisations”.³⁶

44. The FSB said the WRA needed to improve on the “record of HMRC in providing information, guidance and support, and in responding to individual concerns and complaints”.³⁷ The FSB continued to suggest areas the WRA could focus on, such as:

“building a user-centric service rather than a bureaucratic service, these are the things that need to be built into the DNA of the organisation, however it functions-whether it’s national, local or whatever-and then to ensure that performance against those measures is accountable.”³⁸

45. Cross border issues were also raised in relation to the role of the WRA. The Law Society believed it is important that the WRA’s authority is acknowledged. To ensure practitioners in England understand the changes taking place with devolution of taxes, the Law Society said the WRA needs an “identity”.³⁹

46. Professor Holtham agreed the WRA needed branding, to ensure the taxpayer is clear to whom they are paying the tax:

“who’s levying this tax, whoever is collecting it...it may be important that people are clear, when they pay tax, to whom they’re ultimately paying it and who’s made the decision about how much it is.”⁴⁰

³⁴ Finance Committee, ROP, 29 April 2015, paragraph 15

³⁵ Written evidence, CMDT01

³⁶ Written evidence, CMDT07

³⁷ Written evidence, CMDT02

³⁸ Finance Committee, ROP, 29 April 2015, paragraph 107

³⁹ Finance Committee, ROP, 29 April 2015, paragraph 107

⁴⁰ Finance Committee, ROP, 29 April 2015, paragraph 367

47. HMRC also noted that they will change their guidance to raise awareness of the Welsh devolved taxes with taxpayers in England. The implementation of the Welsh rate of Income Tax (which remains part of the UK tax system) may also require direct communication with taxpayers.⁴¹

48. The Law Society emphasised the importance of ensuring that legal practitioners in England are as aware of the devolved settlement in Wales as Welsh practitioners are. Mr Evans attending Committee with the Law Society said that the default for legal publishers would be to focus on English law, so information of changes in Wales needed to be accessible to ensure knowledge among English practitioners who may deal with Welsh clients.⁴²

49. During evidence Revenue Scotland talked about forecasting of financial information, they said:

“We will be providing the data. That’s really going to be our main role. I mean, now that we actually are collecting tax, we will be publishing figures on a monthly basis and then some more detailed figures annually. The data that we provide will, therefore, inform forecasts in future, but we don’t have any in-house economic expertise.”⁴³

50. HMRC confirmed they work with the Office for Budget Responsibility (“OBR”) which produces tax forecasts. HMRC said they were considering how this would work in relation to Scotland. They continued:

“The Scottish Fiscal Commission has recently been created and we need to work with the OBR to understand how we work with those two organisations in relation to forecasts. But as I say, it is, really, us working with the OBR at the moment in terms of forecasting, rather than something that we are doing in our own right.”⁴⁴

⁴¹ Finance Committee, ROP, 13 May 2015, paragraph 448

⁴² Finance Committee, ROP, 29 April 2015, paragraph 155-157

⁴³ Finance Committee, ROP, 29 April 2015, paragraph 19

⁴⁴ Finance Committee, ROP, 29 April 2015, paragraph 414

Committee view

51. The Committee recognises that many of these issues are likely to be addressed by the forthcoming legislation, and hopes that the need for clarity on some of the issues raised by stakeholders will be addressed in the Bill.

52. The Committee notes the strong evidence that the WRA should be independent of the Government with direct lines of accountability to the Assembly.

53. The Committee was interested in the evidence from the Scottish Revenue Authority on forecasting and considered this information in light of the evidence received during the Committee's inquiry into Best Practice Budget Process. Recommendation 7 of the part 2 report of that inquiry stated:

“Recommendation 7: The Committee recommends the Welsh Government considers further the advantages and disadvantages of establishing a fiscal commission for Wales having regard to the arrangements in place for Scotland and The Netherlands and share its analysis with the Committee.”

54. As it is clear that the independent tax collection body does not itself produce tax forecasts it is important that an appropriate organisation is capable of doing so. The Committee believe that this supports the case for an independent Welsh fiscal body.

The Committee recommends that stakeholders are represented on the board of the Welsh Revenue Authority.

The Committee recommends the tax collection approach by the Welsh Revenue Authority should not vary from the UK unless there are clear reasons why the Welsh approach should be different.

The Committee recommends that to ensure the Welsh Revenue Authority operates the tax system in a transparent way there should be direct accountability to the Assembly with scrutiny through an Assembly Committee, This should include six monthly implementation reports leading up to 2018, beginning immediately.

The Committee recommends that the Welsh Government provide a further update on their consideration of recommendation 7 (considering establishing of a Welsh fiscal commission) in the Best Practice Budget Process report.

The Committee recommends that a decision on whether to create a Welsh fiscal commission should allow sufficient time for it to be properly implemented by 2018.

The Committee recommends consideration should be given to how tax devolution can be clearly communicated to practitioners in both Wales and England, and the Welsh Revenue Authority should have clear branding to ensure it has a clear identify with the public.

Encouraging tax compliance and resolving tax disputes

55. The WLGA said there was a need to ensure differentiation between those who “can’t pay and those who won’t pay” and the WRA should have provision to “apply discretion as they see fit”.⁴⁵

56. The FSB said the approach at HMRC had not been consistent, and said the WRA should be more consistent ensuring there is flexibility for businesses who get into difficulty.⁴⁶

57. The FSB advocated the use of alternative dispute resolution (“ADR”) method, which is a method of dispute resolution with the involvement of an independent third party to help resolve a dispute. They said:

“we certainly believe that avoiding lengthy disciplinary, tribunal or court proceedings in any aspect is something that should be done and needs to be built again into the culture of the organisation...”⁴⁷

58. The Law Society said they “would want to see a very careful process so that, where matters are in dispute, we could quickly find out whether it was a matter that could not be dealt with at a

⁴⁵ Finance Committee, ROP, 23 April 2015, paragraph 294-296

⁴⁶ Finance Committee, ROP, 23 April 2015, paragraph 434

⁴⁷ Finance Committee, ROP, 23 April 2015, paragraph 480

caseworker level. That's where ... guidance and so on is very important".⁴⁸

Committee view

59. The Committee thought local government expertise in tax collection and recovery was something that should be utilised in this process. Whilst local government are not in a position to collect taxes at the moment there is clear expertise in the recovery of unpaid taxes which could be used effectively by the WRA.

60. The Committee also believe that the culture of the WRA should balance the need for consistency in collection with the ability to show flexibility before resorting to financial penalties.

In considering options for encouraging tax compliance and resolving tax disputes the Committee recommend the Welsh Government consider making use of local government expertise and flexibility of practices in relation to tax recovery.

The Committee recommends that the Alternative Disputes Resolution system is used, and should include direct contact with taxpayers before considering penalties or expensive court action.

⁴⁸ Finance Committee, ROP, 29 April 2015, paragraph 242

Annex A - Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=1243

23 April 2015

Iestyn Davies	Federation of Small Businesses Wales
Janet Jones	Federation of Small Businesses Wales
Nick Jones	Rhondda Cynon Taf County Borough Council
Jon Rae	Welsh Local Government Association
Gary Watkins	Cardiff Council

29 April 2015

Eleanor Emberson	Revenue Scotland
Dr Keith Nicholson	Revenue Scotland
Gerald Holtham	
Mark Evans	Allington Hughes
Kay Powell	The Law Society

13 May 2015

Doug Stoneham	HMRC
Dr Marie-Claire Uhart	HMRC

Annex B - List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at:

www.senedd.assembly.wales/mgConsultationDisplay.aspx?ID=173

<i>Organisation</i>	<i>Reference</i>
Chartered Institute of Taxation (CIOT)	CMDT 01
Federation of Small Businesses Wales	CMDT 02
Welsh Local Government Association	CMDT 03
Revenue Scotland	CMDT 04
Gerald Holtham	CMDT 05
The Law Society	CMDT 06
Low Income Tax Reform Group	CMDT 07