

27 August 2015

By Email

Andrew Willis
HM Revenue and Customs
andrew.willis@hmrc.gsi.gov.uk

**The Association of
Accounting Technicians**

140 Aldersgate Street
London EC1A 4HY
t: 0845 863 0800 (UK)
t: +44 (0)20 7397 3000
f: +44 (0)20 7397 3009
e: aat@aat.org.uk
aat.org.uk

Dear Mr Willis

Association of Accounting Technician response to ‘Direct recovery of HM Revenue and Customs debts from debtors’ bank and building society accounts policy paper

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the policy paper on ‘Direct recovery of HM Revenue and Customs debts from debtors’ bank and building society accounts, released on 8 July 2015.

AAT is submitting this response on behalf of our membership and from the wider public benefit of achieving sound and effective administration of taxes.

AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.

Furthermore, AAT’s comments are intended to draw attention to the potential impact that the proposal could have on the owner-managers of micro, small and medium sized entities, many of whom either directly employ AAT members or engage our operationally skilled, licensed and regulated members in practice.

In responding to the above named policy paper (the policy paper) AAT has also reviewed and taken into account the related Statutory Instrument (The Enforcement by Deduction from Accounts (Information) Regulations 2015) and its accompanying Explanatory Memorandum (SI).

AAT was pleased to note on reading the HMRC Summary of Responses Document (SRD) issued 21 November 2014, in the wake of the Direct Recovery of Debts Consultation Document (the condoc), that the majority of the concerns expressed by those responding to the condoc had been taken on board.

Furthermore, it was most reassuring to note that a considerable number of AAT’s suggested amendments have been incorporated into the proposed draft legislation, as referenced in the Tax Information and Impact Note accompanying covering this instrument and the Financial Bill 2015.

Given the concerns that AAT expressed in its response to the condoc, it is most pleasing to note that explicit reference has been made to the need for collaboration by deposit-takers (Section 4. Legislative Context in the Explanatory Memorandum to the Regulations and in the Policy Paper under the Summary of impacts) which clearly prescribes what the deposit-takers must provide to HMRC on receipt of an information notice or hold notice from HMRC.

AAT is also encouraged to note that a number of additional safeguards recommended for inclusion for DRD have been incorporated (7.2 & 7.3 Policy Background – Explanatory Memorandum to the Regulations).

In making the above observation AAT is mindful of the concern from our fellow representative body, the Association of Chartered Certified Accountants (ACCA), in respect of the fact that all safeguards currently relate to the direct recovery of debt (the policy objective). When, in fact, the legislation is entitled “Enforcement by deduction.” AAT understands and shares ACCA’s concern that the limits which are being considered will only apply to the direct recovery of debt and not anything else that the proposed legislation might be used for.

While we understand that this misalignment is wholly unintentional and that HMRC at a recent Compliance Reform Forum meeting undertook to set up a workshop for interested parties to work through this and similar drafting-issues, AAT is concerned that, to date, meeting dates have not been forthcoming.

AAT also noted in the SRD that in response to the concerns raised by respondents it was advised that HMRC would only seek to apply DRD to a smaller number of cases in the first year of operation on a test-and-learn basis. Whilst this fact is not explicitly referenced in the policy paper, the Summary of impacts – Exchequer impact would appear to infer that this will be the case which has been further supported through the verbal assurances given to AAT by HMRC officials¹.

AAT strongly supports an incremental applied approach to the introduction of the recovery action flowing from the legislation once it has been enacted. It is AAT’s view that a “soft-launch” will enable HMRC to employ the lessons learnt from the early phase to inform the future full role out of DRD to the benefit of all parties involved.

AAT also notes under the Summary of Impacts that the measure “*is not expected to impact on family formation, stability or breakdown*” and “*will have no impact on small and micro businesses.*” These statements appear to support the overarching principle that DRD will be targeted at those who have the means to pay what they owe but choose not to. AAT considers that it is of fundamental importance that DRD is targeted appropriately so as to impact only on those who have an ability to pay their debt.

AAT also welcomes the proposed HMRC-led review of the measure after two years of operation and acknowledges the point made that DRD will additionally be kept under ongoing review through regular communication with affected taxpayer groups (Section 12, Monitoring & review – Explanatory Memorandum to the Regulations).

AAT is keen to assist in any review activities wherever appropriate and at the same time urges HMRC to engage with the tax charities such as the Low Income Tax Reform Group (LITRG) to ensure that the voice of the disadvantaged is taken into account.

In conclusion, whilst AAT initially had a number of grave concerns over the some of the mechanics of the proposals contained within the condoc and the way it appeared HMRC intended to implement them, it is of great credit to HMRC that it was prepared to actively listen to the concerns expressed by a range of interested parties and as a consequence to fundamentally adapt proposals in order to introduce what will as a result be more proportionate legislation.

Finally, AAT looks forward to engaging with HMRC as a matter of urgency to resolve the concerns expressed by ACCA and others over the draft legislation’s wording.

About AAT

AAT is a professional accountancy body with over 49,300 full and fellow members and 76,400² student and affiliate members worldwide. Of the full and fellow members, there are over 4,100

¹ HMRC meeting with AAT representative 12/8/15

² figures correct as at 30 June 2015

Members in Practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Thank you for the opportunity to respond to the policy paper on 'Direct recovery of HM Revenue and Customs debts from debtors' bank and building society accounts'.

Further information

If you have any questions or would like to discuss any of the points in more detail then please contact Aleem Islan, Technical Manager, at consultation@aat.org.uk or Brian Palmer, Tax Policy Adviser, at aat@palmerco.co.uk

Yours sincerely



Adam Harper
Director of Professional Development
t: +44 (0)20 7397 3075
e: adam.harper@aat.org.uk

