
FSB Wales

Collection and management of devolved taxes in Wales

14 April 2015





Finance Committee Inquiry into Collection and Management of Devolved Taxes in Wales FSB Wales

FSB Wales welcomes the opportunity to present its views to the Finance Committee on the Collection and Management of Devolved Taxes in Wales. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

The Collection and Management of Devolved Taxes in Wales

1.0 Introduction

1.1 In developing our response to this consultation we have drawn upon evidence from our regular surveys of members, the workshops we undertook to inform our response to Part One of the Silk Commission, and a survey we undertook specifically on tax collection and management in September 2013.

1.2 Our September 2013 survey of FSB members in Wales showed that on average our members spend between £1,001 and £3,000 per year on professional fees, software costs and staff time managing the payment of taxes. This is a significant cost to small businesses. It is crucial that the Finance Committee fully consider the implications of arrangements for the collection and management of devolved taxation for small businesses as part of its review.

1.3 We believe that the mechanisms adopted in Wales, as a result of the devolution of taxation set out in the Wales Act 2014, should not place additional reporting burdens on small businesses in Wales.

1.4 It should be recognised that many small business owners might, as an objection, highlight the need to pay taxes to two (HMRC and Welsh Revenue Authority) bodies. In shaping this response FSB Wales has been mindful of the benefits of localised taxation on the one hand and the need to address these concerns over increased administration on the other. We are also keen to ensure that the wider principles of better regulation and good governance are observed in this and in all policy areas.



2.0 Who do you think should be responsible for the collection of Welsh taxes?

- 2.1 FSB Wales supports the establishment of a Welsh Revenue Authority as a Non-Ministerial Department, as proposed by Welsh Government in its White Paper in 2014. This follows the Scottish Government’s decision to set up Revenue Scotland in response to the devolution of taxes, which our colleagues in FSB Scotland have also supported. As we have previously indicated however, a Welsh Revenue Authority should only be created following a full evaluation of the likely cost and of any alternative mechanisms.
- 2.2 FSB Wales believes that the Welsh Revenue Authority should be directly accountable to the National Assembly for Wales, and that the Finance Committee is the appropriate committee to scrutinise the Authority. The Finance Committee should, if necessary, be given additional expert advice to undertake this function.
- 2.3 The Board of the Welsh Revenue Authority should include someone who has an SME perspective, as a large number of SMEs would likely come into contact with it. This appointment would help ensure that the new Authority takes strategic decisions in such a way that considers their impact on this sector.

3.0 Should Welsh taxes be collected by one organisation or different taxes collected by different organisations?

- 3.1 FSB Wales argues that the collection and payment of taxes in Wales should be as streamlined as possible. Our September 2013 survey of members indicated that the process of the payment of taxes by small businesses, which typically do not have dedicated finance teams, is a significant time commitment.

Table 1: Amount of Time Spent by FSB Members on Complying with Obligations	
No time at all	12%
Around 1 hour each month	18%
2 to 3 hours	26%
4 to 5 hours	13%
6 to 8 hours	11%
2 days	6%
3 to 5 days	3%
6 days or more	2%
Unsure	9%

Source: September 2013 FSB Member Survey (Base 2,190)

- 3.2 The establishment of a single Welsh Revenue Authority would have noticeable benefits in limiting the administrative burden on small businesses. This relates to



both of the Welsh taxes that will replace Stamp Duty Land Tax and Landfill Tax, as well as any taxes that may subsequently be devolved.

3.3 Our 2013 survey of members on the collection and management of taxation also showed that after cash flow problems, the most significant reasons for the late payment of taxes arise from communication difficulties, such as understanding what is required and confusion of payment dates.

3.4 The collection and management of taxes in Wales, beginning with the two new Welsh taxes, by a single authority is an opportunity to limit confusion. The new Authority however, must ensure it effectively communicates with taxpayers.

4.0 How can the experience and expertise of organisations which already collect some taxes in Wales, such as Local Authorities and HMRC, be utilised?

4.1 It is important that Welsh Local Authorities and HMRC are fully engaged in managing the transition period for transferring responsibility for the collection of Stamp Duty Land Tax and Landfill Tax to a Welsh Revenue Authority. There is an identifiable administrative risk in the transfer from one responsible authority to another, and the impact of this can be best mitigated if existing authorities fully engage with the transition arrangements.

4.2 The FSB believes that the Welsh Revenue Authority should exist as a ‘shadow authority’ for a period of time prior to its taking responsibility for the two new Welsh taxes from April 2018, to enable its management and staff to work closely with existing authorities in handling the transition, to ensure any ICT problems are eliminated, and to avoid any issues that might lead to a short term confusion amongst small businesses in Wales around the payment of taxes.

5.0 *How can the collection of Welsh taxes be future-proofed – should solutions be such that they can be adapted to accommodate future taxation changes?*

5.1 The Welsh Revenue Authority should be established in full recognition that further taxes are likely to be devolved to Wales over the next five to ten years. The Authority should also be prepared to take responsibility for other Welsh taxes that Welsh Government may subsequently bestow upon it, such as business rates, as this could lead to a more streamlined process for the collection and management of taxes in Wales.

5.2 FSB Wales believes that the Welsh Revenue Authority should have enshrined in it at its outset a duty to conduct Tax Impact Assessments ahead of any future taxation changes. These Tax Impact Assessments can be used to inform the debate around



any future tax decisions taken by Welsh Government, particularly around the impact on the SME sector.

6.0 How do you think Welsh taxes can be collected in such a way that service standards remain at a consistent level?

6.1 Our most recent survey of members specifically relating to the collection and management of taxes undertaken in September 2013 highlighted a series of concerns relating to small business taxation, and related specifically to HMRC. Our survey also asked FSB Wales members to rank their priorities for new services or service improvements. The following table highlights the findings.

Table 2: FSB Members' Priorities for New or Improved Tax Collection or Management Services	
Reduce the amount of time it takes to contact an HMRC advisor on the telephone	37%
Allow queries to be asked and resolved via email	33%
Provide one tax reference number for all of a business's taxes	22%
Improve the appearance and ease of navigation of the HMRC website	21%
Improve the clarity of information available on the HMRC website	19%
Allow ALL forms to be completed and submitted online	17%
Allow queries to be asked and resolved via online chat	16%
Provide a dedicated HMRC business phone line to assist in tax calculations	13%
Provide an HMRC operated payroll bureau service for small businesses	13%
Provide an online tool that allows tax liability to be calculated under different scenarios	12%
Increase awareness of the provision to pay taxes by monthly standing order	12%
Provide real time notification when payment is received by HMRC	10%
Provide a standard payment date for all annual taxes	9%
Other	7%
Unsure	12%

Source: September 2013 FSB Member Survey (Base 2,164)

6.2 FSB Wales believes that the Welsh Revenue Authority needs to improve on the record of HMRC in providing information, guidance and support, and in responding to individual concerns and complains. A duty to provide high levels of responsiveness should be required of the Welsh Revenue Authority from the outset.

6.3 In its 2014 White Paper the Welsh Government stated that the Welsh Revenue Authority might choose to delegate responsibilities for the collection of tax. We believe that the Welsh Revenue Authority should maintain control of the collection of taxes that it has responsibility for, as any delegation may complicate the process of payment for small businesses in Wales.

¹ FSB Wales. 2014. *Better Regulation for Wales* [Online]. Available at: <http://www.fsb.org.uk/policy/rpu/wales/images/better%20regulation%20wales.pdf>



- 6.4 Should delegation of tax collection take place, the Authority must ensure a consistency of approach across Wales. Our research on regulatory issues has highlighted consistence in approach from regulatory agencies as a key factor that impacts on the day-to-day operation of small businesses in Wales¹.
- 7.0 *Do you have any other comments relating to this inquiry which are not specifically addressed above?***
- 7.1 The majority of our members have sought external help from an accountant, tax advisor or book keeper in the payment of their taxes. Our September 2013 survey of members showed that 77% (of 2,185 respondents) had used external professional support in the payment of their taxes.
- 7.2 In developing its proposals for a Welsh Revenue Authority, we believe the Welsh Government should seek to work with the external professional advice industry to gather expert opinion on the establishment of the Authority.



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The Federation of Small Businesses Wales

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

Lobbying

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have three active subsidiary companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601), FSB Publications Limited (company number 01222258 and Data Protection Act registration number Z7315310) and FSB Recruitment Limited. (company number 07836252 and Data Protection Act registration number Z3131666).