



General Principles of the Tax Collection and Management (Wales) Bill

FSB Wales

FSB Wales welcomes the opportunity to present its views on the National Assembly for Wales Finance Committee consultation on the General Principles of the Tax Collection and Management (Wales) Bill. 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.

Introduction

Our September 2013 survey of FSB members 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 taxes¹. This is a significant cost to small businesses. 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 Welsh 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 of the Tax Collection and Management (Wales) Bill.

The Welsh Revenue Authority

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. In our previous evidence to the Committee, however, we have argued that the Welsh Revenue Authority should only be created following a full evaluation of the likely cost and of any alternative mechanisms².

In our previous written and oral evidence to the Finance Committee during its Review of the Management and Collection of Devolved Taxes³, we argued that in order to truly reflect the nature of the Welsh economy, at least one place on the Welsh Revenue Authority (WRA) should be reserved for a member with specific current small business experience. We are therefore disappointed that the Bill makes no such provision. Furthermore, we note the Bill makes provision for the WRA to establish sub-committees. Given the importance of small businesses to the Welsh economy, we strongly believe that a standing sub-committee should be established to specifically consider the impact of tax collection and management decisions by the WRA on small businesses, and that the legislation should make specific provision for such a committee.

¹ FSB (September 2013). *Member Survey*: <http://www.fsb.org.uk/news.aspx?rec=8351>

² <http://senedd.assembly.wales/documents/s38981/FIN4-07-15%20Paper%20%20-%20Federation%20of%20Small%20Businesses%20Wales%20Consultation%20Response.pdf>

³ <http://senedd.assembly.wales/documents/s39559/23%20April%202015.pdf>



In our previous evidence to the Committee we have argued that provision should be made for the WRA to exist for a period of time as a 'shadow authority'. This will afford the WRA the opportunity to identify any initial operational issues during the period of transition.

The Role of the National Assembly for Wales Finance Committee

With the devolution of taxation to Wales a clear distinction should be made between the functions of the Finance Committee and Public Accounts Committee, and that the roles of these committees should reflect additional devolved responsibility. With this in mind we argue that the Finance Committee should be renamed the Treasury Committee and have general oversight of the Welsh Consolidated Fund, including the collection of Welsh taxes. The Public Accounts Committee should be responsible more specifically for value for money in public expenditure and detailed scrutiny of public service delivery.

We welcome the requirement for the WRA to lay a copy of its corporate plan before the National Assembly for Wales, though as we have indicated in our previous evidence, we believe the Treasury Committee of the National Assembly for Wales should have a strong role in scrutinising the work of the WRA. Provision should, therefore, be made in the Bill for closer scrutiny of the corporate plan by the Treasury Committee than that which is currently identified within the Bill. Prior to approving the corporate plan, Welsh Ministers should fully consider the position of the Treasury Committee with regard to the draft corporate plan laid before it. We believe similar arrangements should be made in respect of the Annual Report of the WRA. The Treasury Committee should be given additional expert advice should this be necessary in the exercising of these functions.

Powers of the WRA

With respect to the powers identified within the Bill for the WRA to inspect businesses premises, we are concerned how this might apply where the headquarters of companies that incur devolved taxes are located outside of Wales. On this, as on other issues, we believe it is important that the WRA maintain a close working relationship with HMRC. Unless arrangements are made to permit the WRA to pursue investigations in relation to larger businesses whose headquarters are located outside of Wales, then the legislative impact will be unduly and unfairly felt by small businesses.

Penalties

We believe that the Welsh Government should make provision within the Act for the level of any and all penalties enforced to be on a graduated scale, proportional to the turnover of the business that incurs them. The impact of fixed penalties are likely to be more keenly felt by small and medium sized businesses than larger businesses, and, unless the legislation makes provision for size of business, its impact will be unfair. This is an important consideration, particularly given the scale of tax avoidance by large multi-national companies.

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



dates⁴. In levying penalties, and in making provision for appeals, the WRA should give specific consideration to the particular challenges faced by small businesses in this respect. Small businesses commonly do not have dedicated finance teams to manage company taxation compliance, and often need to prioritise trading activities to keep their businesses operating.

Final Considerations

We are disappointed that the Bill does not make provision for the WRA to undertake tax impact assessments, and in our previous evidence we argued for such a provision to be made in respect of any further changes to devolved taxation. We believe this will permit important future proofing of the WRA, as the number of devolved taxes are likely to grow incrementally.

We welcome the provision in the Bill that one of the main functions of the WRA is to resolve complaints and disputes relating to devolved taxes. We believe, however, that more specific reference should be made in the Bill to an expectation of a high level of responsiveness. In our ongoing discussions with members we have found that small businesses have found real difficulty in engaging with HMRC, and believe that the WRA should be set up with an explicit expectation to avoid such difficulties.

⁴ FSB (September 2013). *Member Survey*: <http://www.fsb.org.uk/news.aspx?rec=8351>



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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.