

Editorial

Inland Revenue Enforcement Powers

In the shadow of the somewhat muted excitement that has accompanied this year's Budget has come the quiet announcement (*The Times*, March 15) of a significant reinforcement of the enforcement powers of the Inland Revenue, to be accompanied by a major overhaul of tax penalties. The origins of the proposed changes lie six years in the past, in the substantial Report of the Committee on Enforcement Powers of the Revenue Departments (Cmnd. 8822, 1983), set up in 1980 under the chairmanship of Lord Keith of Kinkel. The Keith Committee laboured long and hard in this technically complex and sensitive area, and wide-ranging consultations have been going on ever since.

In a nutshell, the proposed changes will bring the search powers of tax inspectors broadly into line with those of

VAT inspectors and the police. Search operations will be subject to warrant, but inspectors will now be permitted to search anyone found on the premises of a search. If necessary, forced entry will be permitted, with inspectors leaving a note itemising what has been removed. It will become a criminal offence for a document to be altered or destroyed after it has been requisitioned by the Inland Revenue. There is also to be a general codification of penalties – with some hefty increases for more serious offences (*eg* ones that give comfort to the black economy). Automatic penalties for late end-of-year company tax returns will be introduced in 1995, with a penalty of £100 per month for each 50 employees, up to twelve months.

There has been a certain amount of predictable knee-jerk wingeing in the City about the extension of Inland Revenue search powers, but in general the proposals – particularly the codification of penalties – are to be welcomed. Even more welcome is a small paragraph in the Budget Speech

itself, which promises to tackle a threat to taxpayer-confidentiality posed by the Official Secrets Bill, currently before Parliament. That measure will remove the liability to prosecution that faces officials who disclose personal information. A clause in the Finance Bill will ensure that it will continue to be a criminal offence for officials and former officials of the Inland Revenue and Customs and Excise to reveal information about the private affairs of a specific taxpayer.

The spectre of rampant Inland Revenue officials, armed with their new search powers, trampling roughshod on the civil liberties of innocent corporate taxpayers does not carry much conviction. Nor do most of the arguments paraded by the Government in support of its Official Secrets Bill; but the Chancellor's reaffirmation of the privacy traditionally accorded to citizens' private tax affairs is to be welcomed.