

## **Press Release**

### **All-Party Parliamentary Taxation Group launch of report on PAYE**

**16 March 2010: 10am – 11am, Committee Room 17, House of Commons.**

### **All-Party Parliamentary Taxation Group calls for fundamental reform of PAYE system**

The All-Party Parliamentary Taxation Group announced the publication today of *Improving PAYE: How information is collected and managed in the administration of income tax*, a report which calls for a fundamental reform of how the PAYE system operates

The report addresses how PAYE, sixty years after it was first created, is struggling to keep up with the more flexible labour market of today's society and the result is errors, backlogs and increased costs for HMRC, employers and taxpayers.

This new study follows the APPG Taxation's 2008 report, which outlined some of the costs to both individuals and businesses from the current PAYE system.

Published at a key stage in the political calendar ahead of the General Election, the report found that PAYE must improve how it collects and manages taxpayer information if we want it to continue functioning into the 21<sup>st</sup> century. The study said that while some recent improvements are in the right direction, HM Revenue & Customs needs to go further to solve the inherent flaws found within PAYE, a system of numbered forms and tax codes that has not fundamentally changed since 1944.

Finding the current PAYE system under severe strain, the report recommends that HMRC encourage a public discussion about where voters and stakeholders want to see the PAYE system progress over the next sixty years.

The report also recommends HMRC move away from a form-based system, offers taxpayers regular statements on their Income Tax and Benefit information in one place, and examines using the existing Bacs payments infrastructure to enable HMRC to collect payroll data more accurately and efficiently.

Commenting on the report's findings, Ian Liddell-Grainger MP (APPG Tax Chairman) stated:

“Essentially, as a salary payment is made through the Bacs system, it can at the same time automatically collect the relevant taxpayer information for HMRC.”

He added:

“If we can get this right, there are very substantial gains all round. Businesses, particularly small businesses, would have a significant administrative burden removed from them. HMRC would be able to move its resources to focus more on compliance rather than collection, with very substantial savings to be made from moving away from a paper-based system. And taxpayers would benefit from a more accurate system without the coding errors and backlogs we have currently.

Our report seeks to build a cross-party consensus for reform and we will continue to make the case for PAYE improvement to the new Government following the General Election.”

### **Notes to Editors**

The report was produced on behalf of the All-Party Parliamentary Taxation Group, which is dedicated to look at and understand tax policy and taxation at all levels; to understand VAT and PAYE in the UK; to contact and talk to accountants and Revenue officials; to look at European tax affairs and international taxation. The All-Party Parliamentary Taxation Group’s mandate for the author of this report was to examine issues and concerns around PAYE and offer constructive methods to improve how Income Tax is collected in the UK. See <http://www.appgtaxation.org> for more information.

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