

Taxman can raid your joint bank account

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Innocent people risk having their bank accounts plundered by the taxman under radical plans by the Treasury, MPs warn today.

New powers granted to combat tax avoidance will allow HM Revenue and Customs to extract funds directly to cover unpaid tax bills without a court order. The rules could even apply to couples with joint bank accounts, even if there are no grounds for complaint against one of the partners.

Members of the Treasury select committee say they are "very concerned about the proposals", which HMRC has said will affect 17,000 people a year. The MPs warn that HMRC cannot always be trusted to assess the amount owed by taxpayers accurately.

The tax authority has a chequered track record. It has previously admitted that up to 4.7 million people in a single year paid the wrong amount of tax through the pay-as-you-earn system.

MPs say that workers could suffer "serious detriment" if error or "abuse" meant that the taxman wrongly delved into the bank accounts of those who did not owe any money.

"The ability directly to have access to millions of taxpayers' bank accounts raises concerns about the risk of fraud and error," their report says.

"This policy is highly dependent on HMRC's ability accurately to determine which taxpayers owe money and what amounts they owe, an ability not always demonstrated in the past. Incorrectly collecting money will result in serious detriment to taxpayers."

Under the changes, due to come in next year after a consultation, the taxman will have the power automatically to extract money after four official warnings. Previously the Revenue

needed permission from a magistrate or a judge.

The Treasury insists that the new powers, which are expected to bring up to £100 million in extra revenue each year, will be used only against those who have repeatedly refused to pay their dues.

However, Andrew Tyrie, the Conservative MP who chairs the Treasury committee, said that the plans were "very concerning" and suggested that the tax authorities could not always be trusted. "People should pay the right amount of tax," he said. "But HMRC does not always ask for the right amount. Some taxpayers may find money taken from their bank accounts that later should be paid back. That would be unacceptable."

Only those who owe more than £1,000 will be subject to the changes, and only if they would have funds of more than £5,000 left over once the sum owed had been extracted.

The Institute of Chartered Accountants in England & Wales has warned that the plans are "of considerable concern to many taxpayers and accountants". In a submission to MPs last month, the institute's head of tax, Frank Haskew, warned that the changes were excessive and might even be illegal.

He said it was "a fundamental tenet of our English law and our democratic society" that money "cannot be grabbed from somebody's account without a judge agreeing to the move".

He also raised concerns that HMRC could pursue people in error. "How up to date are HMRC's databases?" he asked. "The institute has seen numerous cases recently of HMRC chasing debts which are not due."

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