

House of Lords Finance Bill Sub-Committee Autumn 2025 inquiry into the draft Finance Bill

Comments by the Tax Law Review Committee¹ on the tax policy and consultation process.

The Tax Law Review Committee and this inquiry

1. The House of Lords Finance Bill Sub-Committee (FBSC) has invited the Tax Law Review Committee (TLRC) to comment on the tax policy making and consultation process in the context of its inquiry into the draft Finance Bill legislation published in summer 2025.
2. The TLRC has a long-standing interest in the issues around making tax policy and has produced various reports on the topic of tax legislation, including a paper on *Making Tax Law: a report of a working party on institutional processes for tax proposals and tax legislation* chaired by Sir Alan Budd (*Making Tax Law Paper*).²
3. The TLRC has members from diverse background and with differing views on substantive issues. Further, several of our members have already given evidence to this inquiry, on their own behalf or as representatives of other bodies. For this reason, we are not commenting in this paper on the details of specific substantive issues in the draft Finance Bill, but we do believe that some of the issues discussed by the House of Lords Finance Bill Sub-Committee in this inquiry highlight the problems around introducing tax reforms without full and well conducted consultation.
4. We note that the Budget announcements on 26th November 2025 introduced changes to the Inheritance Tax proposals for both the agricultural and business profits relief and to the pensions provisions that are being discussed by the FBSC as part of this inquiry. The fact that it has been possible to revise the proposals at this stage is welcome. However, much worry and uncertainty for those affected by these reforms could have been avoided by earlier consultation on the details of the proposals with those who are familiar with the areas and/or affected by them.

¹ The Tax Law Review Committee (TLRC) was established in 1994 by the Institute for Fiscal Studies (IFS). The TLRC's remit is to keep under review the state and operation of tax law in the UK. The TLRC asks in particular whether aspects of the tax system are working in a satisfactory and efficient manner and, if not, what might be done to improve matters. Membership of the TLRC can be found on its website: <https://ifs.org.uk/tax-law-review-committee>. This is a TLRC paper and should not be taken to represent the views of the IFS, which has no corporate views.

² TLRC Discussion Paper no 3 March 2003, https://ifs.org.uk/sites/default/files/output_url_files/budd03.pdf

TLRC's starting point

5. The *Making Tax Law Paper* stated that

In working from the formulation of tax policy to the design of proposals and the detail of implementation, the aim at every stage should be to test the particular policy objectives of the proposals and how they may be best and most simply realised. At all stages, the process should ensure that proper time, care and attention are taken to achieve that outcome.³

6. This is the starting point for the TLRC. Recent developments show that reforms are being rushed and not discussed sufficiently at an early stage. The difficulty with making changes to one part of the tax system within the Budget process without prior discussion or in-depth study is that full consultation as envisaged in this statement is rendered impossible. There is a considerable amount of discussion and consultation at later stages, but it often comes too late to give truly efficient results, because by that point, there can only be technical comments and not structural and principles-based input.
7. This is not to say that comments at a later stage are not also important. The detailed examination of the proposals and draft legislation by professional representative bodies has often been crucial in identifying errors and at this stage, the consultation process serves as an important safety net. However, for the reasons explained, there are limits on what can be done about basic structural issues by this point of the process.
8. The TLRC recognises that economic, social and political pressures may make it necessary for governments to make changes to the tax system at speed in some limited circumstances, for example to raise revenue or for other reasons such as limiting the number of losers or protecting special cases. We understand that tax is not a purely technical exercise and that, ultimately, politicians always will and must control policy. Nevertheless, to make the best possible decisions, politicians need as much evidence, expert input and comment from those affected and their advisers as they can gather. Therefore, the need for speed should be weighed against the need for effective, coherent and workable proposals that will achieve their objectives.
9. Where new policies are announced without leaving sufficient time for background work and consultation, the details may well need to be modified after the plans have been published. It may be thought that provided there is some time for consideration after the change has been announced, adequate consultation can take place then. Unfortunately, consultation at this point may come too late: there might be better ways to achieve the government's objectives of by having greater expert and taxpayer involvement in the initial design, rather than by introducing

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modifications at a later stage, a process that often leads to added complexity. Where governments announce formulated policies before consultation, it can lead to defensiveness because ministers may feel they have to save face and not make fundamental changes that would otherwise be desirable. Alternatively, the government might lose political capital and trust by making a proposal and then having to modify it.

10. Governments are rightly concerned about taxpayers taking forestalling action if policies are announced in advance. This may be an issue with some anti-avoidance legislation or rate changes. But where a policy change is announced in an annual budget to become effective in 12 months or longer, this seems to produce the worst of all approaches. There is time for lobbying, forestalling and behavioural change, and at the same time the government may feel it is tied into a particular approach because of the political implications of fundamental reversals. If policies are withdrawn or modified, even if this is the result of sensible and proper consultations with those affected, who should clearly be permitted to have input, this can be perceived to be the result of lobbying rather than consultation. Over-responsiveness to particular groups may lead to poor and unbalanced outcomes, but even if this is not the result and the changes are good ones, the perception of caving into lobbying can undermine trust in the tax system and thus tax morale. This seems to be a recipe for sub-optimal tax policy making.
11. For these reasons it is preferable for governments to announce their policy objectives and set out some steps towards change but to have a more fundamental consultation about the mechanisms than is possible if the route to these objectives is fixed by the announcement. This more open approach might sometimes face the objection that it could lead to uncertainty, but there is already significant uncertainty in any event, as those affected contest the changes or seek to modify or ameliorate their impact.
12. The TLRC raises no objection to meetings with groups affected, who clearly should be consulted, but openness and transparency is key to ensuring that this process does not give, and is not perceived to give, any group undue influence. The TLRC considers that proper consultation requires transparency, openness and accessibility to all possible consultees in addition to any private meetings with interested groups and experts. Many on the TLRC are members of professional bodies or think tanks which consult regularly with HMT and HMRC officials and ministers. Some of these meetings are reported and others are in private. We agree that some flexibility on this is required. Much valuable work is done by the representative bodies and by other groups and individuals to improve tax policy and we do not object to these specialist meetings. The TLRC appreciates that sometimes material discussed may be confidential or market sensitive. But private meetings must sit side by side with wider consultation and full transparency, so that behind doors deals are neither taking place nor perceived to be taking place.
13. In addition, it may not always be evident to Ministers and officials who should be consulted. Tax changes can have unexpected consequences and interactions with

other areas of law, business, families and welfare. Having a formal public consultation is important, so that all those who might be affected or have a contribution to make have an opportunity to engage and limiting the risk of unintended consequences.

14. Further, whilst it may be reasonable to take different approaches to different consultations, there should be clarity as to what merits longer consultation. The 2025 paper notes that there should be no “one size fits all” approach but this should not mean that there should be no framework. For example, it should be clear to the public what elements of a proposed policy would be likely to trigger a longer consultation period, and which might only need a shorter period. The default should be the longer period, with a “comply or explain” approach used where shorter periods are chosen.
15. There is also a strong case for enhancing the quality of data and the evidence base used in tax policy making and making the data used more transparent and accessible. Government data should be shared in anonymised form as far as possible. In addition, HMRC and the Treasury do not have a monopoly of the knowledge and data that is required. Much of it is available mainly to businesses and professional tax advisers. To facilitate proper data analysis of government data and to enable others to share what they know with officials requires long term planning and giving proper time to the tax policy making process. Selective use of whatever data and analysis happens to be available in the run up to a short-term decision does not result in good, evidence-based policy making. Government also needs a systematic way of evaluating that input to ensure that it is robust and the best available.
16. Against that background we discuss the review of *Tax Policy Making Principles* paper published by HMT in June 2025 (the 2025 paper).

Tax Policy Making Principles Paper 2025

17. The decision to revisit the tax policy framework adopted by the Coalition Government in 2011 was welcome. It is reasonable that the framework should be revisited to see how well it is working and the previous system was not perfect. However, there was at least a framework against which the processes used could be measured.
18. The TLRC was disappointed by some of the statements in the 2025 paper and the absence of any framework as the outcome. The TLRC believes that this topic itself requires full consultation and that further consideration needs to be given to the framework for tax policy decision making as a matter of some urgency.

Green papers, road maps and speed and timing of consultation.

19. The 2025 paper replaces the *Tax Consultation Framework* published in March 2011, which emerged from a 2010 discussion paper *Tax Policy Making: A New Approach*. The 2025 paper was not the result of consultations but was published without discussion, as far as the TLRC is aware.
20. The 2011 Framework set out a five-stage consultation process, which was not always followed, but which provided a benchmark against which consultations could be measured. The process was intended to begin with setting out objectives and identifying options. It aimed to engage interested parties on changes to tax policy and legislation at each key stage of developing and implementing policy (subject to stated exceptions).
21. In the past (and before the 2011 Framework was operative) green papers were used as a medium for discussing policy changes and identifying policy options. These have now fallen out of fashion. A more recent approach has been to use policy ‘roadmaps’. Roadmaps may be useful for identifying the direction of travel and key milestones in a particular policy area. The Corporate Tax Roadmap of 2010, for example, was popular with business taxpayers at the time. The 2024 Corporate Tax Roadmap was welcomed by business in so far as it went, but it did not contain the kind of detailed analysis that could replace the valuable discussions that used to be contained in green papers. By contrast, the 1982 Green Paper on Corporation Tax, for example, was issued by one Chancellor, Sir Geoffrey Howe, and then acted on by his successor, Nigel Lawson. As Nigel Lawson said in his 1985 Budget Statement—

I am satisfied that the right way to proceed with major tax reform is to issue a Green Paper first, as a basis for full and informed discussion, followed by legislation when the results of that discussion have been fully digested.

22. The tone of the 2025 paper is very different from this statement, and even from the 2011 Framework. It focusses on a ‘smart and agile approach to consultation’ on the basis that government must be able to deliver change quickly. The TLRC understands the need for speed in some instances and also accepts that having to go through a formal consultation process to a predetermined timetable can slow the progress to change. There will be a need to react quickly in some situations. But, as explained above, the focus on speed will very often be a mistake. Provisions announced as concluded policy without consultation and subsequently brought in too quickly may backfire, create unintended consequences, require modifications and lead to the need for a U turn. Reactions and modifications may result in the measures failing to achieve their intended purpose, further complicating matters or reducing the projected revenue, all of which might have been avoided through earlier consultation.
23. While speed and agility have their place, this must always be weighed against the need for good design and thorough consultation that is and is seen to be open and

transparent. New policies and changes to existing provisions tend to have long term behavioural and economic implications. It would be preferable if the standard approach were understood to require a thorough study and widespread discussion, whilst accepting that there will be exceptions to this rule where urgent action is needed, especially where there are concerns with forestalling or an impact on financial markets. Not every change requires a green paper or its equivalent. Nigel Lawson spoke of major tax reforms when he referred to this way of proceeding, but changes that look small initially can turn out to be of great importance. Initial consultation on the policy and the direction of travel, even without the formal production of a green paper or its equivalent can still help to locate the change within a wider plan. It can also act as a check, so that different small changes do not take the tax system in opposing directions, or if they do, can demonstrate that its rationale has been considered within its wider context. In this respect a road map can act as both an internal check that small changes feed into a wider plan and provide an external benchmarking tool.

24. Within a framework as suggested, the TLRC agrees that publishing technical consultation at different points of the cycle makes sense for the government and consultees alike. Spacing the consultations would be helpful to professional representative bodies who respond to all consultations and also to those bodies, like the TLRC, which wish to be able to track the consultation and to respond only to some.
25. Nevertheless, there does need to be a clear framework and timetable for any consultations that are issued, as discussed above, reasons given for the type of consultation chosen and its timing and proper feedback on the outcomes.
26. Moving to a more flexible system also demands that there should be a comprehensive, accessible and clear tracker showing, with links, what stage any given consultation has reached at any time. At the moment, pages with closed consultations do not always seem to be linked to subsequent developments and it would be helpful to be able to track the process of consultation through to legislation from one website address.

Private and confidential meetings

27. As explained above, the TLRC does not object to private meetings where Ministers and officials find them helpful and may be able to engage more openly on particular issues.
28. However, the TLRC was concerned to see the statements in the 2025 paper that

The government will consult on tax policy where it deems necessary to do so.

and

Policy officials will continue to collaborate with stakeholders at all stages of tax policy development where appropriate.

29. It may be that this is simply unfortunate wording, but if we take this at face value, a policy of consultation qualified in this way does not look like a policy at all.
30. We contrast the statements in the 2011 Framework that make a number of undertakings about consultation, albeit subject to exceptions. One such undertaking is that:

Where possible, the Government will:

...

- ***minimise the occasions on which it consults only on a confidential basis. Where confidential consultation has been necessary the Government will be as transparent as possible about this outcome and consult openly if pursuing the policy change further***
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31. Even if this 2011 undertaking was sometimes breached it was a valuable starting point and a reminder to officials and Ministers of the dangers of private and confidential ‘consultation’ or lobbying without parallel wider consultations. The TLRC regrets that this undertaking has disappeared in the 2025 paper and believes this to be bad for efficiency, trust and tax morale.

Use of evidence and research input

32. The 2025 paper states that the government will look to engage with external stakeholders to make sure that tax policy decisions are rooted in strong evidence and robust underlying research. The TLRC welcomes this statement of intent.
33. Many of our members are providers of research in some capacity and we strongly support increased collaboration between HMT, HMRC and researchers. We acknowledge HMRC’s useful publication of their Areas of Research Interest for tax and the work being done to make the HMRC datalab as accessible as possible. We note, however, that the UK is still behind other jurisdictions in making data available in good time and this can inhibit good quality research. Researchers will choose to work on areas where the best data is available and currently that is often not the UK data.
34. The TLRC acknowledges the need for safeguards around data use and that HMRC can only authorise the use of data consistent with its functions. However, we urge HMRC to interpret this duty consistently with the public interest in basing tax policy on the best possible evidence.

35. Where anonymised data are available, they should be made freely available unless there is a good legal reason not to do so. Where policy proposals are said to be based on data and these data are cited in HMRC documentation, there should be a strong presumption that these underlying data will be published in full alongside the publication of the proposal.
36. We endorse the comments by the Institute of Government (IoG) in their analysis, *How is evidence used in tax policy making?*⁴, that there is more that could be done to ensure that good tax policy evaluation happens systematically and that results are easily accessible to outsiders. As the IoG suggests, there could be better engagement with a wider range of researchers and greater assistance could be sought from the research and academic community in interpreting and applying the results of research.
37. The TLRC suggests that engagement with the research community needs to be more systematic and not only around the areas on which officials happen to be working at any one time. There should be a mechanism for sharing new research and thinking on tax policy and ensuring an awareness of the literature across tax policy. This might require an institutional solution.
38. Recent examples of proposals based on disputed data (for example the data from different sources around the changes to agricultural property relief) show how there would be advantages to government as well as to the public if there were better understanding and use of data and research outcomes upon which policy proposals are being based and publication of all the data used, so that any discrepancies could be fully and publicly discussed.
39. In conclusion the TLRC welcomes the actions being taken by HMRC and HMT to work with researchers and provide better data but considers that greater priority should be given to accessibility and publication of data and wider, more systematic reviews and evaluation of the research being produced by the tax research community both in the UK and elsewhere.

⁴ Pope, Tetlow and Advani, *How is evidence used in tax policy making?* (Institute of Government , 2023).