

Dear Sirs,

I write to you as a Chartered Accountant dealing day to day with HMRC and who has in the past run large expense claim operations in the private sector.

In response to your enquiry, I believe that MP's should be subject to the exact same rules as everyone else in the country, namely those set by HMRC on the treatment of privately incurred businesses expenses.

I cannot see any real reason for "special exemptions" for MP's who are serving the ordinary members of the public not the other way around. Should the committee feel that MP's are somehow a 'special case' in terms of the scope of the rules, those special rules should none the less be subject to the exact same compliance system as all other bodies in the UK.

Typical expenses system is as follows, with all expenses in business are reviewed before payment:

- Line manager checks the expenses are in accordance with duties undertaken
- Accounts clerk checks the details are within the tax and company rules
- Authorised for payment by accountant

The accountant takes the end responsibility for the correct payment in accordance with HMRC rules and the company expense policy. They are effectively independent of the claimant.

Excess payments made beyond those allowed HMRC rules are subject to being taxed as salary or including on a P11D as a "benefit in kind". Tax is paid by the claimant.

HMRC would be expected to check a sample of the claims once a year as part of a normal compliance PAYE review, and any errors may result in tax and fines being levied on the individual and on the administrators. This keeps the administrators 'honest' and correctly applying the rules. There should be no 'light touches', the PAYE audit should be as rigorous as for any other businesses, and if anything more so given MP's and civil servants supposed high standards in public life.

Should such a simple system be implemented there could be no arguments between the public and private sector with the rules in effect being set by HMRC for all, and not directly by MP's. This would give transparency and trust which is so sorely lacking at the current time in public life.

I also react with surprise to reports that it would cost £600,000 per annum to check MP's expenses. Such a task would not be a full time job for two competent administration clerks and one part time accountant checking the returns. I would budget no more than £150,000 for this even if located in Central London including costs of accommodation and running the office, and expect the accountant to be at most 3 days per week on this role. This allows for on average more than half an hour per return, which in the private sector would generally be seen as an extravagant amount of time to spend processing a single expense claim.

I trust you will find these comments a useful addition.

Regards,

J Smith