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From: D. Harper
Sent: 28 April 2009 17:10
To: Inquiry
Subject: Review of MP's expenses.

To: Sir Christopher Kelly
Chair, Committee on Standards in Public Life

Sir
Review of MP's expenses.

Whilst much of the media coverage on the issue of MP's expenses focuses on the hopefully rare examples of abuse, I would like to express the view that the root of the problem lies in one simple principle: the rules applied to MP's expenses are quite different from those applied to the taxpaying public. So effectively they have been placed "above the law". The restoration of public confidence in our members of Parliament cannot be achieved until they are treated like the rest of us. After all they are by definition supposed to be "Commoners", not exceptions.

Because their basic salaries seem, at least in the opinion of most MP's, to be insufficient to do their job properly, MP's have come to rely on their very generous expense allowances to supplement their salaries. However the types of expenditure which they can claim tax-free "within the current rules" are much more liberal and generous than are available to the population at large. Their expenses system has effectively become legalised tax evasion (not avoidance).

A number of years ago my Company (an SME of which I was CEO at the time) was subject to a random unannounced investigation by the Inland Revenue (now HMRC) of our expenses system. I am pleased to say that they struggled to find fault with us.

We had only recently undertaken the rather challenging process of closing our London headquarters and relocating to our production site in Suffolk. Every employee at head office was offered full relocation by the Company, there were no compulsory redundancies.

Inland Revenue rules were quite tough: a limit of £8000 in tax free expenses could be paid to any employee electing to relocate, anything above that being taxable as salary. The £8000 is not an annual allowance, it is a one-off item.

In my case, being just a few years from retirement, I chose not to uplift my wife from our Oxfordshire home, where we have lived for more than thirty years, and instead purchased a second home, to use as a base for attending my place of work. Above the £8000 tax-free allowance, none of my costs of purchasing and running my second home were reimbursed to me by the Company, and indeed that home would be subject to Capital Gains Tax if I were fortunate enough to make a profit when I sell it. I worked for three years until my retirement. None of my weekly travelling costs commuting from Oxfordshire to Suffolk was recoverable as a business expense, it came out of my taxed income.

Our Company expense remuneration system required the submission of a weekly or monthly expense report, detailing business itineraries, actual journey mileages, a calculation of average fuel consumption and pence per mile cost, and details with receipts of all incidental expenses such as meals and accommodation when away from home. Employees with company-provided mobile phones were required to check their monthly statement, and identify all personal calls, the cost of which was deducted from their expense reimbursement. Employees with Company cars were charged the pence-per mile average for their private mileage. Of course they are also taxed on the use of car as a

benefit in kind.

Any breach of the rules was treated as attempted fraud, and resulted in disciplinary action.

How very different from the system applied to MP's. They seem to have been allowed to claim expenses on a huge range of items, which outside their privileged world would be regarded by HMRC as taxable, but for MP's the HMRC seems to have turned a blind eye. Allowing Members of Parliament to be treated differently to the general public undermines our confidence in our political system and starts us on the slippery slope that ends in Zimbabwe.

MP's make the laws, they must never be allowed to exempt themselves from their effects. That's the best protection we can have against the passing of unfair and unreasonable laws. MP's must never again be allowed to receive benefits tax free which are taxable to the rest of the population.

It seems to me that whatever solution you arrive at, the integrity of Parliament will only be restored if MPs expenses are treated exactly the same as the general public. That probably means a significant increase in an MP's Salary is indeed necessary, which is outside the scope of your investigation. That is unfortunate, because a holistic approach is needed to arrive at a lasting solution.

Even the Royal Family are beginning to understand this basic principle.

About me:

Since retirement from my own business I have been fortunate to be invited to chair (non-Executive) a small Company which was formerly an NGO and now trades as an independent "not for profit" company, Limited By Guarantee.

My primary responsibility is Corporate Governance, which I take very seriously.

Some years ago, before becoming a member of the Board and while it was still an NGO, I attended a Civil Service training programme on this subject, and found it quite enlightening.

Though entitled to, I never claim expenses when attending business meetings on behalf of my Company. That means my position can never be compromised if and when I have to consider the expense claims of the Executive Directors. When I was still in business, I decided that my fees as a non-executive member of the board should be paid to my Company, not to me, to compensate for the time the Company allowed me to work for another body. I have decided that my salary should be fixed for the full period of my three year term as Chairman, and not subject to annual review. Those are my own rules.

Yes, I can afford these small gestures, and yes, I do sleep very well at night.

Yours faithfully

D. J Harper

Oxon

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