

Review of MPs Expenses
The Committee on Standards in Public Life
35 Great Smith Street
London SW1P 3BQ

Below is my submission to the Committee on the changes required to the system for MP's expenses.

Main change proposed:

MP's expenses should be subject to the same 'Her Majesty's Revenue and Customs' (HMRC) rules covering expenses that apply to most of the public.

There is no mention in the *Issues and Questions* paper that MP's expenses are not subject to the same HMRC requirements that apply to most of the public (Income Tax (Earnings & Pensions) Act 2003). These requirements are published in HMRC booklets 480 – Expenses and Benefits and 490 Employee Travel.

MP's expenses should be put on the same basis as other taxpayers paying through PAYE.

Advantages

1. It applies the first principle of Public Life: *Selflessness - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.* Thus MP's are not seen to benefit in ways which don't apply to ordinary members of the public.
2. A clear set of external rules apply to MPs' expenses, thus providing the public with confidence that MPs are not setting their own agenda.
3. HMRC would check expenses to ensure they comply with the regulations, as they do with other employers, thus ensuring an independent audit.
4. It applies the principle set out in note 10 to annex A: *Members of Parliament should be entitled to be reimbursed for reasonable expenses incurred wholly, necessarily and exclusively in the performance of their Parliamentary duties.* The phrase *wholly, necessarily and exclusively* is the same phrase as used by HMRC in their 408 booklet (paragraph 7.1). It would exclude, for example, televisions which would probably not be *exclusively* for parliamentary duties. (Unless a Manchester MP could claim that watching *Coronation Street* kept himself/herself in touch with constituents.)
5. It avoids the charge of hypocrisy, whereby MPs pass tax legislation which affects everyone except themselves.

Impact of the change

1. MPs might be considered to have two workplaces: Parliament and their constituency office (see paragraphs 3.20 and 3.21 of booklet 409). Thus reimbursement of all expenses relating to travel and accommodation between the MP's homes(s) and parliament and their constituency would be considered 'benefits-in-kind' and subject to tax. However, the exact status of workplaces, and therefore what expenditure was allowable for tax, would be subject to negotiation with HMRC.
2. All expenses relating to 'second homes' would be taxable. While this may be considered 'unfair' by MPs, the rest of the public have to follow the HMRC rules, so why not them?

For consideration by the Committee

1. Should MPs expenses be subject to the normal HMRC rules on expenses?
2. If so, what benefits-in-kind should MPs be allowed to claim? For example security for their house; travel and accommodation if their principal residence (that defined for capital gains tax) and constituency is outside reasonable travelling distance from London.
3. The Committee has posed 14 questions relating to MPs' expenses, which are answered below.

Questions and answers

1. What are the necessary elements of a system which both supports MPs properly in the performance of their important and demanding role and commands public confidence?

That MPs are reimbursed for expenses on the same basis as any other employees. In particular, that no exceptions to HMRC rules are made.

That types of expenditure allowed, and maximum limits, are the same as those of the equivalent civil service grade.

2. Is it right that the House of Commons should be in a position to determine the nature and size of its own expenses scheme? If not, what are the alternatives? Who should be responsible for approving the content of the Green Book which sets out the basic rules?

No. If the HMRC rules are applied this at least defines which expenses are not taxable. The benefits-in-kind allowed, and the level of permitted expenses (maximum allowed for a hotel, for example) should be based on those permitted for senior civil servants. The Senior Salaries Review Body (SSRB) should otherwise define expenses to be paid, both the type and maximum allowed.

3. Are the range of expenses which are currently reimbursable correct? Are the correct judgements being made about the resources MPs need to perform their jobs effectively?

No. MPs should not be allowed to claim for the costs of a 'second home'. Why are MPs different to anyone else required to work in two workplaces?

4. Are the arrangements for policing the expenses system adequate? If not, how should they be reinforced? Is there adequate independent involvement? Are the new arrangements for internal and external audit introduced at the beginning of this financial year adequate?

The implementation of HMRC rules and regular auditing by them would improve matters, plus publication of MPs' 'benefits-in-kind'.

5. If it is the right principle that MPs should not expect any element of personal financial advantage through the claiming of personal expenses, what approach should be taken in situations such as the support of mortgage interest which does offer the possibility of such advantage but which may nevertheless provide better value for money to the tax payer?

Why should MPs have be reimbursed for second home expenses? If MPs who live outside a reasonable commuting distance to London and have a constituency outside that distance, have to be reimbursed for overnight stays, then this should be done as an 'overnight allowance', based on reasonable hotel costs for nights they are actually away from their principal residence. This overnight allowance might be taxable under HMRC rules, depending on negotiations about what constitutes MPs' workplace(s).

6. However logical the approach to reimbursement of expenses, is it possible that its implementation throws up so many difficulties, including difficulties of explanation to the wider public, that there is a case for considering a radical simplification which costs the same or less than the current arrangements? Would it be acceptable for some increase in the level of basic pay to form part of that?

Yes – simplify and pay them a going rate for their difficult job.

7. Where reimbursement is made in respect of expenses such as the cost of running an office, should this payment continue to be made as an additional personal expenses allowance to MPs? Or could the payment be made directly by the House authorities or in some other way? Is there a case for more centralised procurement through the House of Commons authorities? If so in which areas might such procurement take place?

Central procurement should take place for all expenses other than 'personal'. Thus all office and staff costs would be paid centrally.

8. What is the best way of providing recompense to those MPs who inevitably have to spend time away from their main home on Parliamentary business?

Apply the HMRC rules. If they are in parliament, the allowance (Q5) will be paid. If they are away from Parliament and their constituency, they will receive payment based on actual expenses incurred, subject to a reasonable maximum.

9. How much discretion should the system allow about issues like the designation of second homes?

No second homes. The principal home is that designated for capital gains purposes and can only be changed if a physical move is made. The cost of any other accommodation is paid for by means of the allowance (Q5), if applicable. In exceptional circumstances the Civil Services Management Code (8.3.5) should apply.

10. Is it acceptable that MPs should be able to employ spouses or other family members? If so, what safeguards are necessary?

Yes, but they should be employed centrally (Q7) and provide evidence that they are worth their salary.

11. Should receipts be required to support all claims for reimbursable expenditure?

Yes. Claims not supported by receipts should not be paid.

12. What level of detail of expenses claims should be routinely available to the public without the need to make Freedom of Information Act requests for it?

All details, plus a diary recording overnight stays to support the accommodation allowance.

13. Is it acceptable or desirable that MPs should be able to receive remuneration for activities outside Parliament? If so, should that be reflected in any way in the treatment of their Parliamentary pay and expenses? Is there a need for further regulation or guidance on these activities?

They should not be allowed to receive any remuneration which might cause a conflict of interest. Parliamentary expenses should never be paid in respect of these activities, for example travel to a paid speaking engagement.

14. Should MPs be reimbursed for expenditure incurred on newsletters and other material designed to inform the public about their work?

No – this should be paid by their political party.

D M Griffiths