

REVIEW OF MPS EXPENSES

There are two fundamental problems in initiating a review of these expenses.

- 1) I understand that the Inland Revenue regard MPs as Self Employed for Income Tax purposes but as Employed for National Insurance purposes. Now this is a definite anomaly which has come about either because self interested MPs have passed legislation to this effect or HMRC has bowed to pressure from those MPs and made an incorrect decision. There is no doubt that Members of Parliament are employees and should be subject to the much more rigorous HMRC rules on expenses than those applying to self employed people. The present system is definitely a case of having ones cake and eating it because there are substantial savings for MPs under the expenses rules for self employed people besides the substantial NIC savings in being treated as employees for that.
- 2) The second big difficulty is over the question of the base of the employment. For the majority of taxpayers under PAYE there is no difficulty. They either have a contract which specifies the HQ of their firm or they have a home based contract. In MPs cases it is clear before they take office that although they are elected by their constituents (where their home may or may not be) their main place of employment is in Westminster.

So is there a simple and straightforward solution to these two basic problems?

I suggest that there is. In the first place the HMRC should immediately and retrospectively revise their decision / legislation to re-designate MPs as employees for both IT and NIC purposes. This would ensure that expenses claimed as tax free (or deductible) would have to satisfy the rule that they were incurred **WHOLLY, EXCLUSIVELY AND NECESSARILY** in the performance of their duties. There is plenty of established Tax Case law defining these terms.

Secondly at taxpayers expense some block of flats , disused offices etc in London should be acquired to provide accommodation Monday to Thursday evenings for MPs whilst they are attending House of Commons and they could then return home for the weekend to carry out constituency clinics etc. This would totally obviate the necessity for “second homes” and all the problems of the “Green Book” etc. There is no justification for a home and a “constituency” home because no other class of employees in the country would even contemplate such a claim. Of course only MPs who would have to undertake a journey of over one hour by public transport would be entitled to use this accommodation.

This solution would put MPs on a par with Civil Servants (which they are) and a simple rule of thumb would be that since they are on a par with Senior Principals in the CS the expenses rules applicable to the latter should apply to MPs.

There has been much talk in the press and on TV by MPs about their annual pay rises recommended by TSRB being politically unacceptable and therefore limited. The same restrictions have been applied to top civil servants pay. Current talk about substantial pay rises to MPs to avoid them having to make expenses claims is a total nonsense as far as the average taxpayer is concerned, Even people on the average national wage only dream about earning £64,000 the current salary of MPs. They are generously rewarded considering their perceived level of competence and no increase in salary is justifiable.

The difficulty with the second part of the solution outlined above is at least twofold:-

- a) Resistance from MPs who seem to consider themselves a “cut above” other Civil Servants. However if terms and conditions are known in advance a prospective MP can make up his own mind whether or not to stand for election.
- b) Are sufficient “Taxpayer Pounds” (a term I use advisedly to remind readers that the Government has no money except that which it extracts from taxpayers) available and the time scale it would take to set this in motion.

I believe that MPs objections would be spurious and unjustifiable and the majority of the electorate would see this solution as perfectly fair. As to b) it is my belief that this is a viable and economic solution for which money **has** to be found and then the only problem becomes the interim period which it takes to implement the solution.

During the two to three year period whilst the ultimate solution is put into place a temporary substitute for the present position has to be found.

I believe that the tried and tested Civil Service expenses Scheme can provide an answer. When a Civil Servant is posted to a new location, assuming this is more than an hour by Public Transport, certain expenses are re-imbursable or an allowance is paid. The first thirty nights a payment is made for a medium grade (about 3*) hotel, thereafter a "lodging allowance" at a much reduced rate is payable. Travel costs to return to the old station are payable but only for once a month visits. Some minor changes could be made to this to allow for the fact that MPs have a commitment to their constituents so that maybe the claim for travel home could be allowed once a week.

I have not addressed the question of payments for secretarial assistance etc but believe that as long as payments are commercially based and not to family members few members of the electorate would object.

My suggestions above may seem somewhat harsh but I can tell you that most of my acquaintances would advocate far more draconian measures. It seems to me that when you reach conclusions and make recommendations you have to be very aware of public opinion and that has to guide the outcome from your committee's deliberations.

G P Mitchell Retired Senior Principal Inland Revenue