A call for kindness

General Features



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Sofia Thomas highlights the impact that financial difficulties and tax debts can have on mental health

There is a huge amount of stigma around both mental health issues and debt, so when the two collide it can create an almost unbearable situation for individuals. Such anxieties can cause clients to avoid their tax issues until they become almost impossible to deal with.

Acknowledging the importance and intersection of financial difficulty and mental health is the first step for tax advisers and HMRC to best support clients in crisis. The reduced economic activity due to Covid-19 has made this issue even more topical,

highlighting the need for a clear policy and plan on how to help and support customers with mental health issues. Advisers need to be of the real and tangible impact of tax debts, as mental health problems are being exacerbated by the current economic climate.

A growing problem

Problems can be caused both by long term financial difficulties, and by a sudden trigger such as income shocks or an unexpected tax bill. These issues are compounded by the fact that tax debt has no statute (it never expires) and interest accrues daily. Failure to pay can ultimately lead to legal action, bankruptcy and business closure.

According to a study by the Money and Mental Health Policy Institute, a charity set up by financial adviser Martin Lewis (see www.moneyandmentalhealth.org), people who are in problem debt are three times as likely to have thought about suicide in the past 12 months, while nearly a quarter of people who attempted suicide during that period were in problem debt. The report explicitly states that many of those in problem debt have not told family or friends about their financial difficulties. The social stigma around debt can stop people from seeking help.

Debt management

HMRC’s debt management team can offer payment plans to individuals, providing a welcome breathing space for taxpayers. Those in self employment who did not make a self assessment payment on account in July 2020 will have had their payment automatically deferred until 31 January 2021.

HMRC encourages taxpayers to set up a payment plan online to spread the cost of a self assessment bill. The amount has been increased to make it easier to use the online tool and the conditions are:

- they owe £30,000 or less;
- do not have any other payment plans or debts with HMRC;
- their tax returns are up to date; and
- it is less than 60 days after the payment deadline.

Those who cannot pay any other bills should call the coronavirus helpline on 0800 024 1222, although HMRC acknowledges that due to Covid-19 restrictions it has fewer advisers available to answer calls.

These solutions – welcome as they are – can create issues of their own. The Money and Mental Health report advises that payment plans can help taxpayers but that falling behind on payments can be seen as a personal failure and add to a sense of hopelessness.
The HMRC Debt Management and Banking Manual, citing the Equality Act 2010, states that ‘it requires creditor organisations to make reasonable adjustments to any of its provisions if a customer is known to be suffering from a disability’. Customers with mental health issues can be considered to have a disability if their impairment has a substantial and long-term adverse effect on their ability to carry out normal day to day activities. Long term is defined as a period of time which has lasted for 12 months or is likely to last for 12 months. HMRC may ask for written information about the nature of the mental health issue, which can be provided by a GP or social worker.

The manual suggests that HMRC staff should ask the customer to explain how their condition affects their ability to manage their financial affairs and how it affects their ability to deal with HMRC. This exchange of information can be a traumatic process for a person suffering from mental health problems.

A reasonable excuse

In two judgments from 2017, appeals have been allowed on the grounds that mental health issues are a reasonable excuse.

In PH v HMRC [2017] UKFTT 373, the taxpayer, who had concealed his financial affairs from his family for many years, appealed late filing and late payment penalties on the grounds that he had been suffering from anxiety and depression since 2009. The tribunal accepted that the taxpayer had a reasonable excuse for the late payment and filing and the appeal was allowed. During the appeal, HMRC stated that for an illness to be considered a ‘reasonable excuse’, the illness must be so serious that it affected the taxpayer ‘immediately before the deadline’ and that ‘where an illness is an ongoing condition the appellant would be expected to make arrangements’ to settle their tax affairs. This may be considered to contradict HMRC’s manual, which states that mental issues can only be considered to have a disability if they are long term.

In Appellant v HMR [2017] UKFTT 839, the First-tier Tribunal allowed an appeal against late payment penalties and surcharges due to the taxpayer’s mental health problems. The taxpayer had been issued with determinations and late payment

notices for several years, and had a diagnosis of schizophrenia which was supported through evidence.

The judge found that a person’s mental health condition does not affect a person’s liability to pay tax. However, the taxpayer’s mental health problem had prevented her from appropriately dealing with her affairs and this was an exceptional reason for extending the time limit for payment and a reasonable excuse for failing to comply with her tax obligations.

Looking forwards

HMRC’s new Charter, published on 5 November 2020, includes a promise by HMRC to be aware of a taxpayer’s personal situation and to provide extra support if taxpayers need it. This includes support for those who are experiencing financial hardship; for example, those who cannot afford essentials like food, bills or rent. It also states that in certain circumstance HMRC can give an extension to a deadline; for example, those who have been laid off because of coronavirus.

Tax advisers who wish to discuss a client’s debt management problems should call HMRC’s dedicated debt management line on 0300 200 3887.

Image

FURTHER ASSISTANCE

Low Incomes Tax Reform Group
LITRG has a range of resources including advice for those with mental health conditions. See its feature on 'Dealing with HMRC if you have mental health conditions' (bit.ly/3o27JwK).
Website: www.litrg.org.uk

Tax Help for Older People
Tax Help for Older People is a service operated by registered charity Tax Volunteers (TV). It has established a nationwide network of volunteer tax professionals who provide free telephone and face-to-face tax advice to older people on low incomes who would not otherwise be able to afford to pay for such advice. In addition, TV provides education, training and technical support to other voluntary sector agencies and offers constructive consultation with HMRC.
Tel: 0845 601 3321
Website: www.taxvol.org.uk

TaxAid UK
TaxAid provides a professional, free 'crisis advice service' to low-income taxpayers across the range of employment and self-employment tax problems that cannot be resolved by HMRC. Help with resolving tax and tax debt problems is available on the phone and via email, with face-to-face advice services in major cities provided pro bono by tax professionals. In addition, TaxAid trains front-line money and debt advisers in the voluntary sector and supports them via a dedicated helpline and meets with HMRC at consultations about tax issues which affect low income earners.
Public Helpline: 0345 120 3779
Website: www.taxaid.org.uk

Bridge the Gap
Tax Volunteers and TaxAid have launched a campaign to raise £250,000 each year for the next five years with the objective of helping thousands of people who can't afford to pay for tax advice to:

- have their tax affairs brought up to date;
- pay only the right amount of tax; and
- learn how to manage their tax affairs in the future.

Details about supporting this joint initiative can be found at: www.bridge-the-gap.co.uk.