Welcome to the February Technical Newsdesk

Welcomes

02 February 2021

I am going to show my age a little here (although I was very young) and reference ‘Just Good Friends’ – and the ‘will they, won’t they’ saga involving the main characters Penny and Vince and whether they would get back together. We had a similar ‘will they, won’t they’ saga in respect of the self-assessment deadline: whether HMRC would announce a deferral of the deadline itself, or an easement on penalties, or whether nothing would happen at all.

We did not call for the self-assessment deadline to be deferred. This was because we had received competing views from members on the desirability of this, as well as recognising the benefits of encouraging taxpayers to continue to file ‘on time’, thereby obtaining clarity over their tax liability. We also understand that deferring the deadline would be a complicated process.

We did ask HMRC to waive late filing penalties for returns filed before 1 March 2021, in order to avoid adding further costs or compliance burdens at an already difficult time, and we offered to work with HMRC as we recognised that it would be necessary to communicate this message carefully. Our first request was made mid-November. Recognising that circumstances would be even more difficult after the lockdown was announced early in the New Year, we repeated our request. Other professional bodies asked for similar easements.

The prospects of an easement did not look good. We have published the responses we have received from HMRC’s Chief Executive, Jim Harra. The letters dated 18 December and 18 January did not provide us with much hope of an easement – although it was welcome that HMRC made it clear they will accept COVID related delays, even on the part of the agent, as a reasonable excuse. It was also reassuring that HMRC said they were looking to simplify the process for appealing against penalties to mitigate the disruption this would otherwise cause. But in those letters

HMRC confirmed they would not defer the filing deadline, nor waive late filing penalties.

Part of the reason behind HMRC's decision making at that time was that filing rates were holding up well against previous years. As a former VAT specialist, I was largely immune from the self-assessment peak, save for sympathising with colleagues who were working long hours to ensure their clients' returns were filed on time. This commitment to client service is admirable in a 'normal' year. In the current climate it is heroic, and I have been receiving messages from agents working horrendously long hours, across evenings and weekends, both at home and at their office, in order to meet not only the self-assessment deadline, but the (now) shorter deadline for claims under the Coronavirus Job Retention Scheme.

As predicted, the lockdown and other pressures on businesses and agents began to take their toll and filing rates failed to keep pace with previous years. We were delighted, therefore, when on 25 January we were informed by HMRC that they would indeed be waiving late filing penalties for self-assessment returns filed before 1 March 2021.

Of course, that was just six days before the 31 January deadline, and for many this was too late to prevent the long hours and stresses of the previous weeks. Whilst we recognise that HMRC needed supporting evidence, the warning signs were there – at least eight professional bodies, with members representing probably millions of clients, had raised concerns with HMRC. As a customer-focused organisation, with charter promises such as 'being aware of your personal situation', the decision should have been taken sooner. But waiving penalties will certainly prevent lots of unnecessary work for taxpayers, agents and indeed HMRC themselves in issuing, appealing and cancelling late filing penalties. Now agents can continue to prioritise filing the remainder of their outstanding returns, and supporting their clients to obtain the COVID support to which they are entitled.

Beyond the self-assessment deadline, we seem to be slowly falling back into the more usual timetable for fiscal events that was interrupted by the pandemic last year. There are relatively few open consultations at the moment – although, as ever, we encourage you to keep an eye on our website for details of consultations that we are looking at (www.tax.org.uk/policy-technical/open-consultations).

We remain engaged with HMRC through various forums and meetings, as some of the articles below report, and there continues to be a broad variety of work going

on. But, perhaps like the rest of the country, we are to a large extent looking forward to the spring for many reasons including, of course, from a tax perspective, the Budget on 3 March.