# Income tax self-assessment registration for the self-employed and landlords: CIOT, LITRG and ATT responses

Management of taxes | Personal tax

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CIOT, LITRG and ATT have responded to HMRC's recent call for evidence on Income tax self-assessment registration for the self-employed and landlords. The government says that it wants to understand whether bringing forward the point at which the newly self-employed and landlords are required to identify themselves to HMRC will help to support taxpayers to develop good tax habits early, ultimately creating a better taxpayer experience.

## CIOT response

In our response, the CIOT recommends that HMRC improve awareness among the newly self-employed and landlords about how and when they need to register with HMRC and focus on public education, guidance and improved processes, rather than making any changes to the timing of registration.

In our view, the income tax self-assessment (ITSA) registration process works well for most taxpayers and there is insufficient evidence to change the current statutory deadline, which is six months after the end of the tax year in which the business starts (Taxes Management Act (TMA) 1970 s 7). However, we identified some difficulties with the current system which lie mainly with how HMRC process applications, how their system supports applications, and how taxpayers interact with HMRC's system. It can often take a long time, for example, to obtain a Unique Taxpayer Reference (UTR) and in the meantime a taxpayer cannot file returns or pay the tax they owe. HMRC should focus their attention and resources on improving the registration process and joining up IT systems to make the registration obligation

easy to understand and comply with for every taxpayer.

If any changes are considered, such as bringing forward the registration deadline, linking it to the date a business starts trading (or a landlord starts to rent out a property) or even abolishing the statutory notification obligation altogether, we say that there must be further detailed consultation to assess the impact on other parts of the self-assessment framework.

We also suggest that there should be a single system for taxpayers to use to register (and deregister) for different taxes (including ITSA), to track the progress of applications, and appoint one or more agents. HMRC should investigate how the proposed Single Customer Account could be utilised to help streamline and monitor an individual's registration (and deregistration) applications with HMRC.

## LITRG response

The LITRG response concluded that while we would not be against moving the deadline for notifying liability to tax to a date earlier than 5 October, but after the end of the tax year, at present we do not think there is sufficient evidence to support such a change. In our experience, many of the existing problems with notification and registration are due to confusion and lack of awareness amongst unrepresented taxpayers of what activities could be taxable (such as non-traditional forms of trading via online platforms or being an 'accidental landlord'). These issues will not be solved by advancing the notification of liability to tax deadline.

We recommended that HMRC prioritise addressing various pinch-points in the existing system. First, we think that some confusion could be eliminated by reviewing and aligning the statutory requirement to notify of a liability to tax and HMRC's non-statutory criteria for registering for and filing ITSA returns. HMRC should also address the different methods of registration/deregistration and consider how people can be helped to recognise that their activities may trigger an obligation to notify liability to tax. Also, we note that HMRC guidance on registering for ITSA needs revision as it is currently confused – for example, the term 'income' is used to mean turnover and profit interchangeably on the same GOV.UK page.

## ATT response

In the ATT response, we similarly concluded that the proposed options for reform of the existing registration obligations were unlikely to achieve significant improvements to taxpayer experience.

We did though receive a large amount of feedback from members suggesting that improvements to the operation of HMRC's IT systems and processes for dealing with registration would significantly improve the user experience. We would also like to see a more integrated registration system which allows agents to register *all* types of client for self-assessment online and for taxpayers to authorise their agents at the same time. We also called for the long-standing issues around the interaction of registration for self-assessment and for Class 2 to be resolved.

The CIOT's full response can be found at www.tax.org.uk/ref889

The LITRG's full response can be found at: www.litrg.org.uk/ref2624

The ATT's full response can be found at: www.att.org.uk/ref392

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