# President's page, January 2016

Welcomes

01 January 2016

## Will digital be easier?

The government’s digital strategy is not constrained by modest ambition. It represents a seismic change in how taxpayers and professionals will engage with the tax system as part of a 10-year plan to move to a paperless age and significantly reduce the number of HMRC offices.

The Autumn Statement gave further insight into the digital revolution boldly planned in Whitehall, and which aims to create one of the most digitally advanced tax administrations in the world by 2020. At the same time we are told that HMRC coffers are expected to be swelled with a further £1 billion in tax revenues, apparently achieved by reducing errors in record-keeping. It would indeed be helpful to know how this figure is calculated since it will shed light on how HMRC expects its proposals to work in practice, and for which there is little to go on at present.

To recap, 2015 was the year when the Chancellor signalled the death knell for the paper tax return in his March Budget, the emphasis being on ‘making tax easier’ – a slogan employed to reflect a promise to reduce the administrative burden on taxpayers who now have to complete an annual self-assessment return. Interestingly, the terminology evolved in the eight months before the Autumn Statement, when the Chancellor confirmed the government’s intention to invest £1.3 billion in ‘making tax digital’ – perhaps in recognition that in fact ‘nobody said it was easy’ (apologies to Coldplay!).

Certainly, this is a monumental task and there are many key issues that need to be answered. For instance, what are the proposals and the timescale to engage stakeholders, including agents and tax professionals, to take part in the consultation? It would also be important to know how HMRC plans to help taxpayers master the new digital requirements, and what resources can be focused for those

who cannot make the transition.

So what is HMRC expecting to achieve with their proposals? Already the requirement for quarterly reporting seems to have raised more questions than answers, and in terms of the additional burden that this will place on small businesses in particular. Rather than reducing the error count, it could in fact have the opposite effect. Allied to this is the government's expectation outlined in the Autumn Statement that there will be a £400 million reduction in the customer costs borne by a business. Yet again, the converse is surely a strong possibility, in that businesses will want their agents to help them more regularly, thereby resulting in higher costs.

And how can HMRC's ability to better serve their customers be improved? MPs on the Public Accounts Committee have criticised the shortcomings in HMRC's public-facing service, so anything that can be done to improve communication – and for most people that means eliminating the frustrations and delays of contacting HMRC by telephone – must be welcomed. But not everyone will be capable of this so an alternative provision must be made.

The digital strategy is part of a 10-year modernisation programme at HMRC, under which most of its local tax offices will shut and be replaced by 13 regional centres and four specialist sites. It goes without saying that this is a worrying time for HMRC's staff, some of whom are members of the CIOT. With so much change on the horizon it's a process that needs to be managed sensitively. From the point of view of the taxpayers and professionals, they will need to be reassured that HMRC retains suitably qualified and experienced staff and that the closures will not have an adverse impact on service and standards.

In broad terms I am very supportive of what the government is looking to achieve with the digital strategy. The electronic age has transformed the way in which we work and live our lives, and the achievements with managing passports and driving licences online show how successfully the citizen can be engaged with public services. The internet has reinvented how we work, study and communicate, and it is important in any democracy that the government fully embraces the opportunities available to improve its services. Similarly, there will be opportunities for agents and tax professionals. As Jim Harra, HMRC's director general for business tax, has gone on record to say, HMRC wants to incorporate the role of the tax agent in the new digital world because it's recognised they remain central to the tax system and, with the added complexities of the new regime, taxpayers are unlikely to want to bypass

them.

With my very best wishes for a happy, healthy and prosperous 2016.