# Technical Newsdesk: June 2023

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It must be a sign of getting old when you start to talk about how tax was ‘in the old days’. There was a time when tax changes simply involved inserting, removing or changing words on a page. Whatever your preference of tax handbook, you adapted accordingly. I accept that is an over-simplification, but I am sure you understand what I mean.

Fast-forward 30 years and our tax system is almost unrecognisable. I cannot remember the last time I picked up a hard copy tax book (everything is now online), about 96% of self-assessment returns are filed online, VAT returns are also submitted online, and HMRC’s ambition is to become one of the most digitally advanced tax authorities in the world. There is little sign of this slowing down, with the extension of Making Tax Digital, the Single Customer Account, and even artificial intelligence on the near horizon.

There is no doubt that digital tools, if properly implemented, can bring huge benefits to those who can use them. But they take time to develop. A common theme of our engagement with HMRC, especially when tax changes are proposed, is to ensure there is adequate time to develop and test any new systems requirements before the changes take effect. This can create frustration amongst policymakers, especially if the measure is revenue-raising or intended to prevent abuse. However, it is necessary to ensure that the policy is properly implemented and that costs to all parties are reduced. We can all think of recent examples (such as the capital gains tax property reporting service or the trust registration service) where obligations have commenced before the systems are fully operational.

A similar case can be made for process changes that are not linked to tax changes, but intended to update systems. Adequate time should be allowed to ensure that these new systems have, at a minimum, the same functionality. There are frequent examples (the Agent Services Account or the VAT registration service) where the new system has less functionality and more glitches than the one it replaces. At least in the short term, that does not represent progress.

Where possible, we work closely with the revenue authorities on systems development. But this has become less of a two-way conversation between policy makers and taxpayer representatives, and is now also including the software industry. We must all be ‘in the room’ for any change to be as smooth as possible.

New systems and processes bring (at least) two further requirements. First, the need for adequate guidance. The aforementioned new services lacked timely, detailed guidance, leaving users needing to contact HMRC or us to understand what they need to do. Secondly, agent access. New systems frequently require the taxpayer to authorise their agent to use that service, typically with a ‘digital handshake’, leaving both agents and taxpayers frustrated at having to do something they think they have already done. Rest assured that these remain significant priorities for the technical teams.

We are looking to develop a series of principles which we believe should be applied to the introduction of new processes. This will include the two requirements above, as well as ensuring that a full tax ‘cycle’ is tested before any mandatory obligation, new systems have at least the same functionality as those they replace, and digital forms include basic functionality such as the ability to save and print. If you have any other suggestions, please send them in.