Simplifying and modernising HMRC IT services: CIOT, ATT and LITRG responses

General Features



22 June 2023

The ATT, CIOT and LITRG have all submitted responses to the wide-ranging Budget consultation on ‘Simplifying and modernising HMRC’s Income Tax services through the tax administration framework’.

The consultation on ‘Simplifying and modernising HMRC’s Income Tax services through the tax administration framework’ (see tinyurl.com/bdhyjv8u) was opened at the Budget in March, seeking views on the government’s plans to modernise income tax services. It focuses on three main areas: increased digitalisation of HMRC correspondence; improvements to the flow and timeliness of PAYE information; and reviewing the Income Tax Self Assessment (ITSA) criteria.

The consultation builds on the government’s 2020 Tax Administration Strategy, which laid out the pathway to ‘building a trusted, modern tax administration system’

(see tinyurl.com/4bhju2yp). This was followed by calls for evidence forming part of the government's Tax Administration Framework Review and most recently by this consultation.

The responses to the consultation submitted by ATT, CIOT and LITRG are summarised below.

ATT response

The ATT's response (see www.att.org.uk/ref420) highlights the consultation's broad scope, suggesting that each of its three main areas could have warranted a consultation in its own right.

The ATT expressed regret at the lack of *simplification* proposed (perhaps as a consequence of the breadth of the consultation), particularly given the mandate for HMRC and HM Treasury to focus on simplification following the closure of the Office of Tax Simplification. The ATT would have liked to see less focus on streamlining administration of the existing tax system, and more effort addressing how to make the tax system simpler, and therefore easier for taxpayers to comply with and for HMRC to administer.

Looking at the three main areas in the consultation, the ATT highlighted the following issues:

1. Digitalisation requires better public awareness before changing HMRC processes or communication methods. HMRC will need to do more to educate taxpayers on what can be done via digital 'self-service' channels, and why it may be in their interests to go digital. The ATT response also reiterated the importance of maintaining non-digital alternatives as essential to support the digitally excluded.
2. The ATT does not believe that more timely information is the cure-all for issues with the PAYE system. Taxpayers may lack the confidence or ability to review their PAYE codes, agents are rarely copied on updates, and HMRC systems can auto-generate illogical codes based on information fed in without a proper review process. The ATT has reminded HMRC of its role in sense-checking PAYE codes and of the importance of enabling agent access to their clients' coding notices.

3. The ITSA criteria and accompanying HMRC guidance leave a lot to be desired in terms of clarity and achieving the right outcome. The ATT suggests that clearer thresholds should be the priority, rather than relying on guidance to interpret current non-statutory requirements. There is also an opportunity to review the underlying legislation to clarify who needs to be in self-assessment.

CIOT response

The CIOT (see www.tax.org.uk/ref1108) is supportive of HMRC's efforts to move from paper to digital, but believe that greater taxpayer and agent trust is required in IT – including HMRC's present IT systems – before digital interaction will become universally accepted, particularly with the unrepresented. We also consider that HMRC's traditional support channels of telephone and post will need to be properly maintained with prompt response times. These will assist people to learn and adapt to these new digital systems and apply them to their own circumstances, as well as supporting those who cannot go digital.

For PAYE, while we support encouraging PAYE taxpayers to open digital tax accounts and support a digital by default approach to notifications to employers, we note that the majority of PAYE-only taxpayers have very little need to interact with HMRC (digitally or otherwise).

For ITSA, we support a change to require new registrations to be made online, with a digital by default approach to subsequent notices to file and a requirement for annual self-assessment tax returns to be submitted digitally. However, this should only become mandatory when the digital service is operating smoothly, without 'glitches', with widespread accessibility and high customer satisfaction.

When considering the ITSA registration criteria, we agree that the main issues concern guidance, thresholds, HMRC's IT systems and the underlying legislation. We suggest rationalising and aligning the registration criteria with the legislation.

We also suggest that more could be done via the Single Customer Account if its functionality is good enough to engage people from the start. However, until HMRC's IT systems can successfully handle the reporting of untaxed income, claims and reliefs (for example, via the Single Customer Account, Simple Assessment or through PAYE), there will continue to be a need for people to register for ITSA and file tax returns.

LITRG response

LITRG (see www.litrg.org.uk/ref2770) is broadly supportive of HMRC's ambition to improve the scope and quality of their digital offering to taxpayers to achieve a digital channel shift, but points out that access to non-digital options should not be made more difficult to encourage that shift. Doing so would make the experience for genuinely digitally excluded taxpayers more difficult and would not be in line with HMRC's Charter, their Digital Inclusion Strategy or their principles of support for taxpayers who need extra help.

Instead, LITRG says that HMRC's priorities should include the following:

- improving existing services to allow (or encourage) everyone who wants to transact digitally to do so;
- addressing the ongoing difficulties for certain taxpayers in passing Government Gateway verification checks; and
- focusing on improved guidance within forms and tools.

Regarding HMRC's proposals to move various forms to digital by default, LITRG observes that some forms may be more suitable for the change than others. In particular, notices to file a tax return should, LITRG says, continue to be issued by post unless the taxpayer has opted to receive that type of digital communication, and only after their legal significance has been clearly explained. Tax returns should also be more readily available on paper.

For PAYE, LITRG's response includes specific suggestions for improving its operation with the digital agenda in mind, including that DWP should apply PAYE to taxable benefits, tax codes should be easier to understand, and there should be more flexibility to get them changed when they are unsuitable.

For ITSA, LITRG stresses the importance of the alignment of the criteria with the law. It does not support mandatory digital registration or mandatory online filing following such a registration.

David Wright *dwright@att.org.uk*

Tom Henderson *thenderson@litrg.org.uk*

Margaret Curran *mcurran@ciot.org.uk*

Matthew Brown *mbrown@ciot.org.uk*

Chris Thorpe *cthorpe@ciot.org.uk*