# Technical Newsdesk: November 2023

**Welcomes**



23 October 2023

**As reported later in this month's Technical Newsdesk, from 13 November the downloadable form VAT1 (application for registration for VAT) will be removed from GOV.UK and applications should be made through the online VAT registration service. Where it is not possible for businesses to use the online service, it will be necessary to phone the VAT helpline to obtain a hard copy form VAT1, and then register for VAT by post.**

Moving people away from hard copy forms and onto HMRC's digital services is a key part of their strategy to improve the efficiency of the tax system and reduce the impact on their resources. It does raise some questions, however. How far should HMRC go to 'encourage' the use of their digital services? And should those services be comprehensive?

On the first question, digital services are the preferred form of interaction for many people, not only with HMRC but more widely. In our recent survey regarding HMRC's service levels, the vast majority of respondents preferred digital interaction to telephone or post. If the digital journey is more efficient than the 'analogue' one, most people will naturally gravitate to digital.

It is no surprise that over 96% of self-assessment returns are voluntarily filed online, because the digital experience is easier than the analogue. We know that HMRC are seeking to push that figure even higher, by not sending paper self-assessment returns to some of the taxpayers who had previously filed on paper, and by discouraging use of the downloadable form.

Conversely, to help those struggling with the digital handshake, earlier this year HMRC made the paper version of the capital gains tax on UK property return, with accompanying notes, available to download on a trial basis. The downloadable form will remain available while HMRC evaluate this trial. It is pleasing they recognise it is important to achieve a balance between encouraging digital interactions and their Charter promises around making things easy.

On the second question, there remain many 'gaps' in HMRC's digital services. Returning to VAT registration, several types of organisations cannot use the digital VAT registration service because the system does not have the requisite functionality to recognise their status. And perhaps more acutely at the moment, the requirement for a Unique Taxpayer Reference prevents some businesses from using the digital service. Elsewhere, we know that HMRC's rules for coding out an income tax liability do not fully reflect the underlying legislation, but HMRC do not intend to amend them because they consider it would not be cost effective to do so.

So, we seemingly find ourselves encouraged towards adopting digital processes, but only if our circumstances are sufficiently mainstream for it to be worthwhile for HMRC to digitise it. Perhaps that is the right answer. As a taxpayer, I am not sure I would be particularly happy if HMRC spent (say) £100,000 digitising a process that could be adequately undertaken manually by the (say) 20 taxpayers it affects. What is important, though, is to have clear guidance to explain which taxpayers and circumstances are not accommodated by the digital process, and what should be done instead. Of course, if HMRC followed our minimum standards for the introduction of new HMRC digital systems (tinyurl.com/ymck9j62), everyone's journey would be a little bit easier!