President’s page, May 2015

Welcomes

01 May 2015

End of the beginning

Technology sometimes has a way of making you wonder whether anything ever changes, for all that it seems to change radically.

A year ago, I wrote that ‘a bit of caution might be in order’ with regard to the use of technology by government – HMRC in particular. That particular comment was – in part – prompted by the HMRC Connect system and the increasing use of data correlation by the government in risk analysis. The same comment could equally apply now, not only in risk analysis but also in Budget 2015 proposals to remove the need for tax returns and – instead – submit accounts online at any time of the year and apparently pay tax at any time of the year. There’s already a facility for small businesses to pay tax in monthly instalments, but it doesn’t seem to be overly used; perhaps greater visibility will inspire greater take-up but I suspect that any business with cashflow issues will find it difficult to be inspired by anything much other than a hard deadline.

That’s human behaviour. The technology part of the tax account that reminded me of the ‘caution’ warning last year is the continuing work by HMRC on developing the ability to pre-populate data fields in the tax account with information from banks and other information sources such as letting agents, for people who let out property. The concept is fine; it’s just that it raises some points that seem to need a little more thought to sidestep some potential problems.

The banks are long used to providing information to HMRC and have built the costs of doing so into their general fee structures; other sources of HMRC information haven’t all adjusted to the process and (some, at least) are passing on to their customers the cost of providing HMRC with that information. They might eventually fit it into general overheads, but the charges will be passed on to customers somewhere along the line.

It seems that, for small businesses, it’s raising costs and therefore raising the question of whether they’ll look at the pre-populated fields in their business tax account and assume it’s all correct. They’ve paid someone else to provide the information to HMRC, so why pay again to someone else to prepare a tax return when the information is ‘all there’, and when the expectation from HMRC is that information will be updated by the taxpayer more regularly than once a year? It’s a logical thought process.

Some might, of course, note that pre-population of income is always going to be rather easier to effect than pre-population of expenditure, and decide to make sure someone else gets it right on their behalf.

For those who decide they can figure it out on their own, the question is … will they actually figure it out? This is one area where caution might, for example, call for the cash basis of taxation for smaller businesses to be extended further – there has been a reasonable amount of evidence that quite a lot of small businesses assume that the cash basis is how tax returns are supposed to be prepared because that’s how they keep their records and it’s not immediately obvious that they should pay tax on income that hasn’t yet arrived in their bank account. Pre-population of income data from banks and elsewhere will do nothing to overcome that assumption. Neither banks nor letting agents (or other income sources) can provide customer financial data on an accruals basis; that’s simply not information that they have available.

Extending the cash basis to cover more small businesses might cost the Treasury rather less than sorting out any subsequent mess with that section of unrepresented taxpayers who decide to take HMRC’s figures at face value. Time will tell.

Moving away from tech caution, I’m pleased to say that the first issue of Journal of Tax Administration has now seen the light of day – it was trailed at the Tax Administration Research Centre’s workshop in Exeter in April, and we will have a formal launch event in London in early June. Details on how you can get your hands on a copy to follow in due course. In the meantime, my thanks to Lynne Oats and her team at Exeter for their work on the journal!

And to finish where I started (to misquote TS Eliot), in the past year ADIT has gone from having students in 99 countries to having students in 107. That means we’re now represented in more than half the countries in the world (whichever way you

choose to count it; there are somewhere between 189 and 199 depending on who’s counting).

Thank you to everyone – in the branches, in Council and officers group, and at head office (and, not least, Michael Reed!) – who have made this a very memorable year!