All Party Parliamentary Group on Responsible Tax

General Features

01 January 2017

Both the CIOT and the Low Incomes Tax Reform Group (LITRG) submitted comments to the APPG on Responsible Tax ‘Inquiry into public confidence in HMRC’s capability to collect tax fairly and effectively’.

In assessing the issues under inquiry, it is necessary to look both backwards (learning from the past), and forwards (anticipating the impact of planned changes on HMRC’s management of the tax system). On the former, LITRG pointed out that HMRC could improve efficiency by learning from cases which are overturned or varied, either within its own statutory internal review process or looking at cases decided by the Tribunal. On the latter, it will be essential for HMRC to get their digital agenda right, as this will form the biggest part of HMRC managing the tax system responsibly over the next few years. There is a strong risk that customer service, and consequently confidence in HMRC’s capabilities, will suffer if staff cuts are made too quickly, before the purported ‘benefits’ of digital services are fully achieved.

LITRG’s experience shows that many low-income taxpayers find it hard to trust HMRC, with their views on the Department – rightly or wrongly – being shaped by personal experience, anecdotes of others’ experiences and reports in the media.

CIOT also recognised that one of the challenges for HMRC to improve public confidence is to overcome the perception that big businesses (including multi-nationals) get a better ‘deal’ than smaller businesses and other taxpayers. Although HMRC clearly need to have a focus on big businesses, given the amount of revenue that may be involved, there is also a public service angle of helping small taxpayers comply – often CIOT members perceive that HMRC are not sufficiently resourced for that task. HMRC’s communications (perhaps restricted by taxpayer confidentiality),

have not recently convinced the public that laws are applied to all taxpayers equally, and more could be done by HMRC and indeed politicians to educate the public about tax, dispelling some of the misleading impressions given through media reports (the Apple/Google type ‘avoidance’) when this is beyond HMRC’s powers to prevent.

Domestic tax avoidance is not as prevalent as it was ten or more years ago, and in recent years has reduced significantly. This is due to a combination of factors, one of which is HMRC’s targeting of resources. However, tax evasion does not seem on the whole to be reducing, and tax lost due to illegal behaviour is seven times that due to legal tax avoidance. Illegal activity is a difficult area for HMRC to challenge. Recent and forthcoming measures might reduce these levels, such as the data which HMRC will shortly receive by virtue of the Common Reporting Standard, and HMRC is making increasing use of its ‘Connect’ system (which matches information from a considerable number of data sources to build a picture of income), but this requires a greater quantity of resource than other HMRC activities. Care must also be taken when using ‘narrowing the tax gap’ – itself highly subjective – as a key reason for hastily bringing in such significant change as Making Tax Digital.

The level of customer service provided by HMRC has hit the headlines, particularly with regard to telephone waiting times. Particularly damaging to HMRC’s reputation recently have been reports of problems arising in tax credits compliance cases sub-contracted to a third party – Concentrix. Debates as to what the underlying cause of the problems continue, but it is evident from this that HMRC will need to be very careful of similar arrangements in future, not only from the viewpoint of ensuring that customers’ experience comes first, but also in terms of the public’s perception of HMRC not being tarnished through association. Ultimately, HMRC should remain accountable for delivery of its services, be those delivered internally or sub-contracted.

LITRG also pointed out that HMRC’s services need to be designed to cater for people with particular needs, for example those with disabilities. Understanding the barriers they face to engagement with HMRC is vital, particularly in view of the digital agenda which risks exclusion if reasonable adjustments are not made. Working on the ’80:20 rule’ – designing systems for the majority, then trying to later patch up problems for others (often the most vulnerable) is inadequate. Far more cost is then involved in sorting out problems ‘downstream’.

Risks to HMRC's credibility and service delivery are ever-present and arguably increasing, for example:

- Reliance on digital systems means that HMRC must have first class security in place to protect taxpayers' data, and to prevent fraud attacks;
- Increased pre-population and automated use of third party data means HMRC need to address concerns over data inaccuracies, and make better use of data it already has such as 'real time information' data for PAYE;
- There is an apparent failure by HMRC to stand in the shoes of the customer and understand the impact of decisions to leave telephone numbers out of letters, or to discontinue certain formats of forms – disenfranchising many from receiving help or access to services still required;
- HMRC is not in control of an essential part of its service delivery – the provision of online information via GOV.UK, which falls under the Government Digital Service;
- At the same time as HMRC is seeking to 'Make Tax Digital for business', self-employed claimants of Universal Credit will be expected to report their income regularly to the Department for Work and Pensions. It cannot be right to expect double reporting of essentially the same thing and it is essential to the credibility of government service delivery as a whole that the two Departments are joined up where there are interactions such as this;
- There is a continuing trend for HMRC staff to move posts at all-too-regular intervals, resulting in new teams re-treading old ground. This is inefficient and frustrating for stakeholders.

Finally, HMRC will arguably never be able to deliver all services that are needed by many low-income and vulnerable taxpayers. It is therefore essential that its customer service strategy includes supporting the tax charities, both to provide tailored information to groups with particular needs and frontline support.

The CIOT's full response can be found on the CIOT website, and the LITRG response on the LITRG website.