ATT Welcome: Digital complications

Welcomes



21 February 2024

Due to printing deadlines and the fact that I am about to head off on two weeks of annual leave, I am writing this page on 1 February – the evening when most who work in private client tax are either lying down with a damp towel on their forehead or having a well-deserved glass of wine!

One thing about January when you work in tax is that you miss the start of all the new TV series and dramas that begin in that month. I admit to having become hooked on Traitors, which meant I did at least finish at 9pm on those evenings. I have yet to catch up on ‘Mr Bates vs The Post Office’ but I did follow with interest the news articles that appeared as a result of this drama and the interviews with the postmasters and mistresses that followed.

So, what has this insight into Senga’s preferred viewing have to do with us I hear you ask? Well, the Post Office Scandal had me musing on how much we have come to rely on computers for every aspect of life, and the difficulties incurred when a situation is out of the norm and the computer says ‘no’ or is incorrectly programmed.

Those of us north of the border will remember the first few tax years when being a Scottish taxpayer actually made a difference to the tax that you paid due to different rates. HMRC used postcodes to identify whether a taxpayer was Scottish or ‘Rest of UK’ r(UK). Unfortunately, there were computer issues and not all Scottish taxpayers were correctly identified. I remember calling HMRC regarding one such client and being asked if I was certain that Glasgow was in Scotland.

There were then a few years where some Scottish tax returns were subject to exclusions and could not be lodged online. There are still problems with identification when a taxpayer changes his jurisdiction during a year, especially if the correct date of change is not recorded on the system. Even several years later, there was a recent news article about residents of a Scottish new-build estate wrongly identified as rUK.

When MTD for VAT was introduced, some returns were incorrectly captured, resulting in either large refunds or large liabilities that were not due. We have yet to see if the hoped for improvement in record keeping due to digital records has come to fruition. Over reliance on the software can still lead to bookkeeping errors though. For example, the software may note from previous postings that a payment to, say, NFU is for insurance (other insurance providers are available!) and auto codes the transaction accordingly; but in fact the payment is a pension contribution. The unwary may over claim expenses.

I am sure that most of us have experienced some issue with tax return software due to an unusual situation. Software programmers must adhere to HMRC’s approved calculation steps and because of limitations with this, in certain circumstances, we cannot always get our final computation to come to the figure we know is correct. I came across one the other day where due to foreign tax credit relief the preparer wanted to use the personal allowance against a different source than the software was choosing. Not a return you want to deal with late in January – back to an old fashioned paper return.

Don’t get me wrong, I was an early advocate of software for accounting and for a while actually worked for a firm selling accounting software packages. I am grateful for the way computers have improved our working practices, but we have to be careful we don’t go too far too soon, and that software is subjected to rigorous testing in multiple situations. I am thinking particularly of HMRC and MTD for Income Tax. Taxpayers and agents are more likely to embrace this positively if they can

have confidence that the experience will be glitch free.

No matter what software we use, there is no substitute for a knowledgeable tax professional looking over the end computation and being certain that the correct result has been arrived at.

Talking of knowledgeable tax professionals, I must congratulate all our students who passed their November exams and to our prizewinners. Well done all.

And finally let’s not allow machines to take over our lives. Which one of us has not stood in the middle of the kitchen shouting at the equipment: ‘Which one of you is beeping?!’ Is that just me?