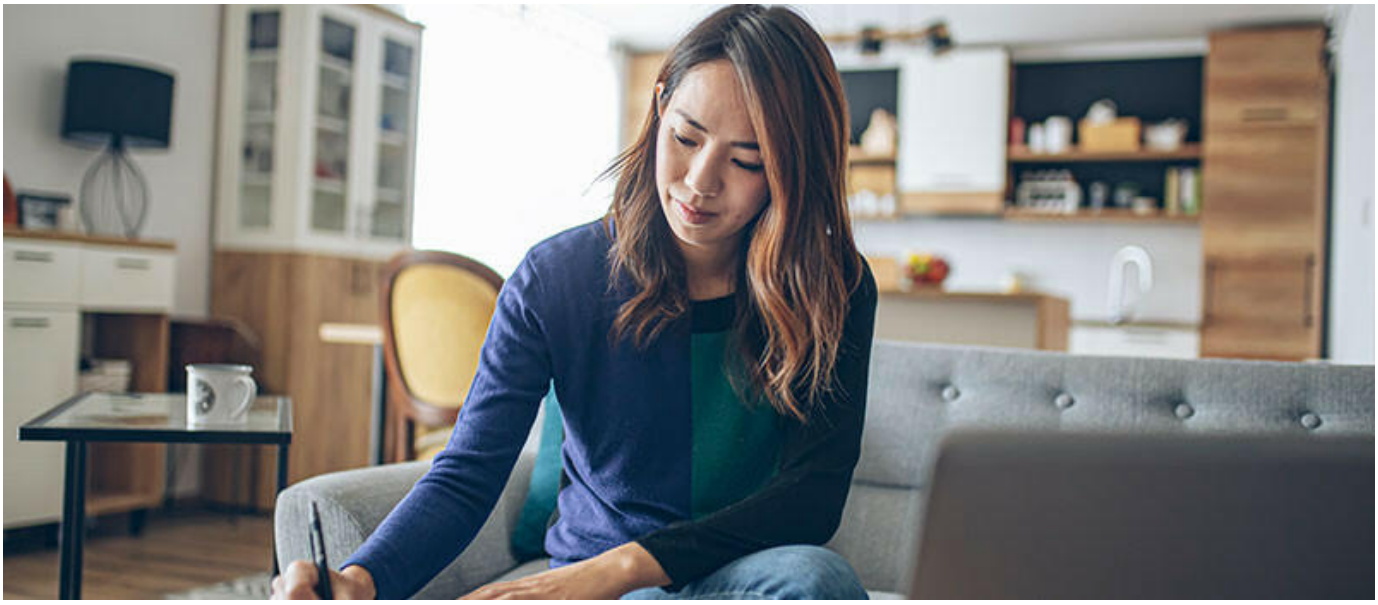
Simplifying and modernising HMRC’s income tax services: summary of responses

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HMRC have published their summary of responses to their wide-ranging consultation ‘Simplifying and modernising HMRC’s income tax services’, issued as part of the Tax Administration Framework Review.

The consultation sought views 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. HMRC also sought views on mandatory digital registration for self-assessment.

The CIOT, ATT and LITRG each responded to the consultation (see tinyurl.com/py754npw), highlighting a range of issues, including the necessary prerequisites before HMRC can achieve their desired ‘digital channel shift’, a suite of suggestions to improve the operation of PAYE, and priorities in resolving the issues

related to HMRC's ITSA criteria. On the final point, all three responses suggested proper alignment between published ITSA criteria and the underlying legislation.

HMRC's summary of responses (see tinyurl.com/5n765zvb) states that they 'will not require digital interaction until a service is of suitable standard' – reflecting the feedback provided by stakeholders. However, when HMRC measures the standard of a digital service, it is not always clear what assumptions are made and whether they are reasonable. For example, HMRC say that 62% of the 3.5 million interactions with HMRC's Digital Assistant service in 2022/23 'did not require any input from an HMRC adviser'. However, there is no published data on whether those who were not routed to an HMRC webchat adviser actually received a satisfactory resolution to their issue under the Digital Assistant.

The consultation also set out a number of high-volume paper forms, notifications and letters, and invited stakeholder feedback on the suitability of moving those forms to a digital-by-default model. Most stakeholders expressed varying degrees of concern with such a move, depending on the correspondence in question. It was felt that the correspondence may be overlooked by the taxpayer if issued digitally, which could have significant consequences. For example, in the case of a SA316 'Notice to file', legal obligations created by the issue of the notice could be missed, leading to late filing penalties.

Nevertheless, HMRC said that they will press ahead with changes to allow 'specified' correspondence to be sent to taxpayers digitally by default (though it is not yet confirmed which correspondence this applies to). To facilitate this, HMRC are also considering a requirement for taxpayers to keep HMRC up to date with electronic contact information.

HMRC also explained that they are working on a variety of improvements to PAYE. This will include expanded functionality for the taxpayer to self-serve and adjust their tax code for expense deductions and to code out non-PAYE income, such as dividend income.

On the issues considered relating to self-assessment, HMRC appear to be moving towards mandatory online registration (other than for those who are digitally excluded) once the existing routes to registration have been streamlined and improved. The consultation also mooted the idea of mandatory online filing following such a registration, but LITRG were opposed to this on the basis that it does not

follow that a taxpayer is able to (or would wish to) file a full tax return online simply because they registered online several months earlier. HMRC were silent on this point in setting out their next steps.

Finally, regarding the review of the ITSA criteria, HMRC said that their work is continuing in this area. It appears that the important question of the ITSA criteria aligning with the legislation is not a priority at this stage, though it is hoped that once HMRC determine who they would like in self-assessment then the point will be revisited.

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