Technical newsdesk: November 2024

Welcomes



24 October 2024

How do you write an introduction about tax before such a critical event as the Budget, when it is not going to be published until afterwards? That is the problem I face here. There is plenty of Budget speculation to address but I have decided that the answer is to write about something else – HMRC's 'one to many' (OTM) compliance activity.

As its name suggests, HMRC's OTM activities typically involve contacting large numbers – sometimes thousands – of taxpayers or agents about the same issue at the same time. Many members will have seen at least one example of an OTM letter. It may have been addressed to their client and also copied to them, their client may have passed on the letter, or the letter may have been directed to them in the first place. HMRC have addressed a multitude of topics by OTM letters, from the high-income child benefit charge to landfill tax fraud to VAT partial exemption.

HMRC's use of OTM letters is a relatively new phenomenon but is likely to continue to increase, particularly since the letters are expected to play a significant part in addressing the government's priority of reducing the tax gap. So far this year, we

have provided comments to HMRC on around 40 OTM campaigns. Indeed, HMRC's OTM activities have become so prevalent that we have an agreed internal process to ensure that the proposals for OTM letters are dealt with consistently and efficiently.

We work closely with the HMRC team with oversight for OTM activities, both through the One-to-Many Compliance Advisory Board and on a one-to-one basis. We were pleased to invite members of HMRC's OTM team to a meeting of our Technical Policy and Oversight Committee in September, where we had a healthy discussion about their work.

So, why are we putting so much effort into engaging with HMRC on their OTM activities? Well, there are several reasons for this, including:

1. Potential impact: As noted above, the same OTM letter can be received by thousands of taxpayers and agents. If we can suggest improvements to their targeting or drafting so that they 'land' better and with the right target audience, it improves their impact and minimises collateral damage. The impact on taxpayers and agents can be significant, with the potential to cause worry (particularly if poorly targeted), additional compliance costs and resource implications both for agents and HMRC.
2. Actual impact: HMRC do listen to our feedback (and that of others), so that the letters which are issued are (with the proviso that HMRC have the final say) as clear as we can make them.
3. Evaluation: We seek to ensure that the OTM letter does improve compliance and reduce the tax gap at an appropriate cost to HMRC, taxpayers and their agents. This is very much a work in progress, but something we continue to challenge HMRC about.

The Technical News section of the CIOT website (www.tax.org.uk/technical-news/1) and the News pages of the ATT website (www.att.org.uk/news) often provide details of OTM campaigns, with copies of the letter being issued by HMRC and supporting information. Do keep an eye on these pages, particularly if you or your clients are in receipt of such letters.

Irrespective of what happens on 30 October, you can rest assured that HMRC's OTM activities will continue, and we will maintain our efforts to make them as targeted and workable as possible.