Changes are coming: HMRC's new processes and tools

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As we await the announcements in the Budget statement, it’s a good time to make a note of some of HMRC’s new processes and tools.

Budget Special

It is impossible to write about the Budget, given its timing. But it has given us the opportunity to recall the 1930s doggerel popularised by Senator Russell Long in 1972 – ‘Don’t tax me, don’t tax thee, tax the fella behind the tree’ – as every possible tax measure covered in the media suddenly has its own lobby group to point out why that particular tax rise would be a problem.

It has also reminded us of the work of the Office of Tax Simplification, which prepared reports on inheritance tax and capital gains tax at the request of former chancellors Philip Hammond and Rishi Sunak. Those reports discussed all the issues mentioned by the media.

Of course, we shall all be pouring over the Budget documents to find out exactly how new tax measures apply. The Office for Budget Responsibility signs off the anticipated yield from tax measures. It now gives important measures a risk rating, which indicates the room for variation in the yield, whilst still accepting that the amounts put forward in the Red Book are the most likely outturns.

What we can safely predict – no matter what happened to capital gains tax on 30 October – is that there will be record receipts from CGT in 2024-25, with payments for residential property sales due in the year (60 days from sale) and the major part due by 31 January 2026.

The importance of evidence

HMRC has just launched a new process for employees claiming tax relief on employment expenses (see tinyurl.com/4dty669d). The new approach requires that the taxpayer prints the relevant P87 form, completes it and then posts it to HMRC with copies of receipts. Next year, HMRC plans to launch an online service, which will be another reason to download the HMRC app – as I hope it should be possible for claimants to use the app to submit the claim, photograph the receipts and upload them to HMRC. The new approach applies to mileage claims, working from home claims and other expenses, such as professional subscriptions. It does not apply to claims for flat rate expenses.

The Office of Tax Simplification's 2020 report on Claims and Elections (see tinyurl.com/4h2nrujn) recommended that the so-called single customer account (the enhanced merged version of the personal tax and business tax accounts) should be the place for making claims and for uploading evidence to support the claim. The OTS recommended that the account should also be a record of submitted claims.

Putting in place a requirement for evidence is surely a sensible move, as it encourages taxpayers to think about the claims they make. It also makes it harder for any agent disposed to cut corners in checking whether their clients actually qualify for the intended tax relief. Today's technology can easily 'read' documents and refer them to human officers for checking.

Interactive guidance

HMRC has invested considerable effort in producing interactive guidance to help taxpayers get the answers they need more quickly and accurately. Recent examples include calculating profits for 2023-24 where the self-employed taxpayer has an accounting year end other than 31 March or 5 April (see tinyurl.com/yk4rmdrz). The tool helps to calculate the profits or losses for the two accounting periods ending in 2023-24 (actual or deemed, depending on whether the taxpayer changes to a 31 March or 5 April year end, or retains the existing accounting period) and then calculates the minimum profits assessable for the year, with options to spread or accelerate the transition period profit. There's also a tool to help individuals register for Self Assessment (see tinyurl.com/zeemuhvc).

Another tool helps taxpayers to find out when HMRC should have responded to a request (see tinyurl.com/kbyr5ex8). The tool covers individual taxes, child benefit and tax credits, VAT, PAYE and corporation tax. It also lets agents check when they should have been registered for online services or registered as an agent for a specific taxpayer, or have changed their agent details. This tool should help reduce the number of calls to the HMRC helplines checking when a reply might be coming out. Similar information is contained in the personal tax account, with the benefit that it tells taxpayers that HMRC has received the relevant correspondence.

More interactive tools are coming. The tools ask for feedback, so do leave feedback and comments if you think that the tools have elements missing.

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