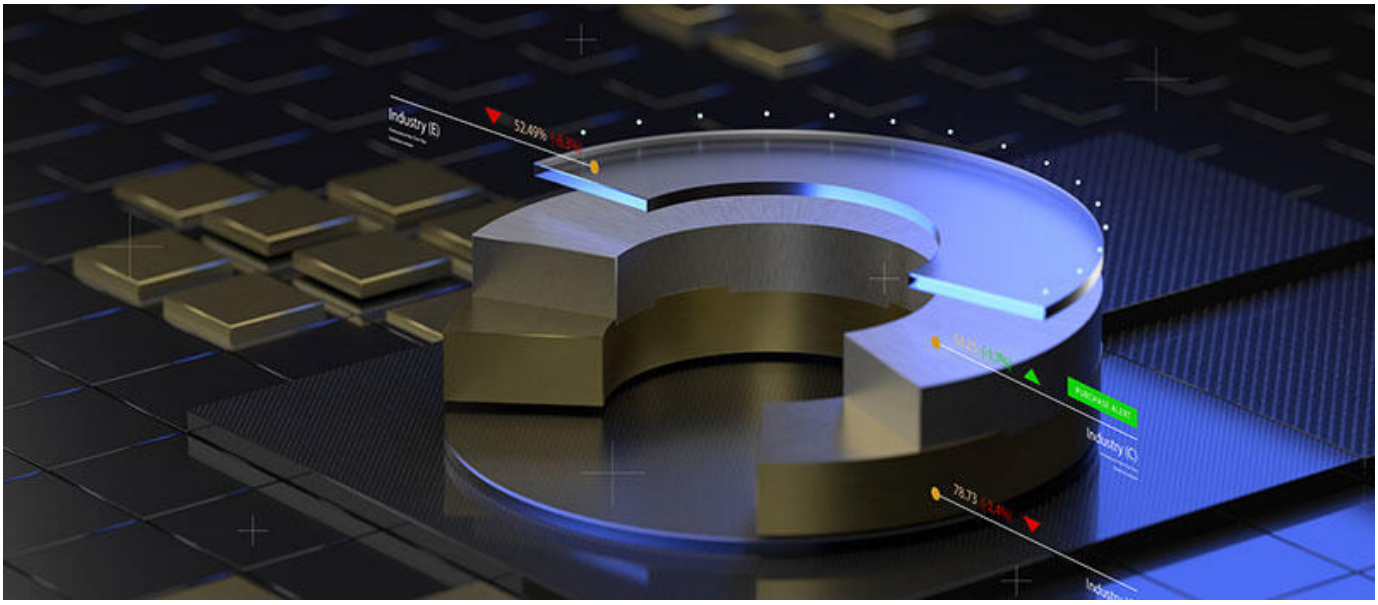
# Improving HMRC’s approach to dispute resolution: HMRC consultation

**Management of taxes**




20 August 2025

CIOT, ATT and LITRG responded to HMRC’s consultation published in March 2025 looking at options for simplifying, modernising and reforming HMRC’s approach to dispute resolution. The consultation focused on the ease of access and use of HMRC’s alternative dispute resolution and statutory review processes. At the time of writing, the government is analysing responses.

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**The CIOT response**

The CIOT supports the aligning of appeals processes between direct and indirect taxes because it would help to mitigate the confusion and misunderstandings that different rules, terminology and procedures currently create, and would be of particular benefit in multi-tax disputes. We consider that it would be preferable to

move all taxes onto the direct tax appeal process. This is because the approach taken by HMRC in direct tax cases usually has the advantage of providing more time and opportunity for the dispute to be resolved by agreement.

We do not support aligning the existing direct and indirect models in the way proposed in the consultation document, which is more akin to the indirect than direct model. The existing indirect process leaves little time for further discussion once HMRC have issued their formal decision, unless the review period can be extended. It is often the case that even at this stage there can still be uncertainty and misunderstandings over the facts.

There is the option within the direct taxes model for the taxpayer to opt for statutory review before one is offered, so the dispute could still proceed to a formal appeal quickly if that is what the taxpayer wants. Additionally, the direct tax model can facilitate swift resolution of a dispute if HMRC have the information they need and can issue a view of the matter letter quickly. Adopting the direct tax model therefore seems to provide HMRC with the flexibility to act efficiently in suitable cases and to take longer in other cases.

We support alternative dispute resolution (ADR) as an important tool in the resolution of tax disputes. ADR can play a vital role in helping the parties to resolve their tax disputes without needing to go to the Tax Tribunal. We therefore support there being a requirement for HMRC and taxpayers to demonstrate that they have considered other means of dispute resolution, but we question whether this needs to be prior to appealing to tribunal.

HMRC should endeavour to raise awareness of, and offer, ADR at every opportunity during the course of a dispute, pre- and post-decision. The process for applying for ADR should be as simple and straightforward as possible, while also maximising the likelihood that all appropriate cases will be accepted. HMRC could help their caseworkers to identify taxpayers who are most likely to be unaware of ADR by continuing to embed collaborative ways of working, including the use of mediation, into their internal training programme and internal and external guidance.

In terms of alignment, the direct tax model, which allows access to ADR without the need for an appeal to the tribunal to have been made, seems preferable compared to the indirect taxes model, which only permits applications for ADR once the taxpayer has appealed against an HMRC decision to the tribunal and has received an

acknowledgement from the tribunal. This can trip taxpayers up and lead to them to applying for ADR too early and having their applications rejected by HMRC.

We do not agree with the suggestion of charging taxpayers for using ADR. Charging taxpayers for using ADR could be counterproductive and deter people from using it. In terms of streamlining and integrating the dispute resolution process with other HMRC digital services, such as customer accounts, we do not believe that this will increase taxpayers' awareness and understanding of, or willingness to use, statutory review or ADR, which we consider to be a greater priority. Our view is therefore that if HMRC resources are limited, they should not focus them on changing the online processes, but on taxpayer education and awareness raising.

The full CIOT response can be found here: www.tax.org.uk/ref1508

#### The ATT response

The ATT made comments in relation to the three areas being considered by the consultation.

### Reforms to improve support and guidance for customers going through a compliance intervention

We support the need for enhanced guidance on compliance interventions and the appeals process, particularly to ensure that all taxpayers (especially those who are unrepresented) are aware of how and where to access appeal processes during a compliance case. We also agree that, if implemented effectively, a digital appeals route has the potential to offer a more efficient and streamlined method for resolving disputes and maintaining engagement with HMRC. However, it is essential that alternative, non-digital options remain available to ensure accessibility for those who are digitally excluded and for these to be clearly signposted.

### Simplifying and aligning processes

We support the alignment of appeal processes across direct and indirect taxes. However, we have concerns regarding the current proposal in which the issue of an informal pre-decision letter is not mandatory. If left to HMRC's discretion,

the absence of such a letter could reduce opportunities to resolve disputes at an early stage, potentially leading to unnecessary progression into the formal appeals process.

## Reforms to improve access to ADR

We support the inclusion of all appropriate areas within the scope of ADR and believe that access to the process should be simple and straightforward. However, we do not agree with the introduction of a charge for the use of ADR. We believe that ADR should remain free at the point of access, as it plays a vital role in promoting fair, proportionate and accessible tax administration. Introducing a fee risks undermining the effectiveness and equity of the process.

The full ATT response can be found here: www.att.org.uk/ref486.

#### The LITRG response

The LITRG response focuses on the usability and accessibility of statutory review and ADR for unrepresented taxpayers who are unable to pay for professional advice. It is important that these safeguards are accessible for all.

We acknowledge that streamlining the online application process may help to improve the accessibility of dispute resolution processes, but we note that it is essential to improve awareness and understanding of them. HMRC could be much more proactive in explaining and offering the options to taxpayers. It is also important that alternative application processes remain available for those taxpayers unable to access an online route.

We are supportive of HMRC's exploration of alignment of the appeals process across all taxes. We think the accessibility of ADR could be improved by removing the requirement to appeal to the Tax Tribunal before applying for it. It is unfortunate that some cases are currently rejected because the taxpayer applies at the wrong time. This barrier should be removed.

We welcome the development of a principles-based approach to determining what is in scope for ADR.

We think the idea of charging for ADR strongly contradicts HMRC's stated objective of wanting to encourage take-up of dispute resolution processes. Introducing a charge would make ADR less accessible and would arguably contradict the HMRC Charter standard, 'making things easy'.

The full LITRG response can be found here: www.att.org.uk/ref486

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