HMRC nudge letters – an update

Management of taxes

01 July 2017

We have been speaking to HMRC about their recent ‘untaxed income’ nudge letter.

At the last Compliance Reform Forum (CRF) meeting in March, chaired by Jennie Granger, the then HMRC Director General Customer Compliance, the CIOT gave an agents’ perspective presentation on HMRC’s use of so-called ‘nudge’ letters.

The idea for the presentation came after the issue of 10,000 letters just before Christmas 2016 which asked taxpayers to check the entries on their 2015 tax returns with particular reference to untaxed interest income. We know from our members that both the timing and the content of the letters caused anxiety for many clients.

Controversially, the letters were not copied to agents. We raised this omission with HMRC during our presentation. They confirmed that their guidance on contact with represented taxpayers and their paid agents is still current. This guidance states that non-routine correspondence should normally be copied to agents ‘unless there are good reasons why that would not be appropriate’ and that HMRC should ‘consider whether advising the professional bodies about a nudge project might help deliver results more effectively’. HMRC apologised that the guidance had not been followed in this instance.

The way their letter had been written did not make it clear whether it was a random letter or whether it had been based on actual information held by HMRC. HMRC were able to confirm that the letters had been based on data provided to HMRC and that they were confident that the majority of letters were sent to the correct taxpayers.

During our presentation, we emphasised the positive aspects of HMRC following their guidance. The professional bodies and their members can help make campaigns like this more effective if they know about them beforehand and understand why HMRC are running them. This can enable members to explain them

better to their clients which can lead to a reduction in unnecessary contact with HMRC, reduce costs for taxpayers and minimise misunderstandings.

The CRF is a joint forum in which HMRC consults and communicates with representative organisations about changes to HMRC compliance checking activities, with a particular focus on the views of tax agents and their clients. The minutes of its meetings, can be found on the GOV.UK.