

# Tax Representation



**TAXREP 22/09**

## **ICAEW TAX FACULTY SURVEY INTO HMRC CUSTOMER SERVICE STANDARDS**

**Results of member survey on HMRC service standards**

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# **ICAEW TAX FACULTY SURVEY INTO HMRC CUSTOMER SERVICE STANDARDS**

## **Results of member survey on HMRC service standards**

### **INTRODUCTION**

1. This TAXREP sets out the results of a short survey by the ICAEW Tax Faculty into HMRC's service standards. The survey was undertaken to provide evidence to a House of Commons Treasury Sub-Committee inquiry into the efficiency of the government departments.
2. This latest survey follows up a previous representation to the Treasury Committee on HMRC's service standards which we made in 2007.
3. Details about the Institute of Chartered Accountants in England and Wales and the Tax Faculty are set out in Annex 1. Our Ten Tenets for a Better Tax System by which we benchmark proposals to change the tax system are summarised at Annex 2.

### **HMRC's efficiency programme**

4. As noted in our written evidence to the Treasury Committee's 2007 inquiry, we welcome the Government's aim to create world-class tax services through sustained investment and far-reaching reform. We also support the Government's drive to make public services more efficient.
5. The efficiency programme has resulted in HMRC's budget being cut by 5% a year in real terms with staff numbers cut by 12,500 initially and a further 12,500 to go in the future. The cuts include many of HMRC's best trained and most experienced staff.
6. The far-reaching reforms of HMRC under the efficiency programme include:
  - moving away from a local structure to one based on much larger offices;
  - increased use of call centres; and
  - concentrating specialisations in particular locations.
7. There is widespread concern that the result of the efficiency programme to date is that services 'on the ground' are less efficient, resulting in considerable wasted time and costs for taxpayers, agents and HMRC.

### **ICAEW member surveys**

8. In order to provide actual evidence of our members' experiences to support our evidence for the 2007 inquiry, we undertook a detailed member survey. To support our 2009 evidence, we undertook a further survey.
9. The 2009 survey took place in March 2009 and was necessarily more limited in scope than our 2007 survey. However, we sought to ask similar questions so that we could compare results. Most of our respondents are sole practitioners or work

in small firms. Given the time constraints, the survey was not undertaken with a statistically selected population, but we believe it provides a useful snapshot of our members' experiences and note that the messages coming through are broadly consistent with our 2007 survey.

### **2009 ICAEW member research into HMRC's service standards**

10. For the purposes of this evidence we focussed on the following key issues:
  - Telephone and post
    - Response time
    - Accuracy of HMRC processing
    - Technical knowledge of HMRC staff
  - Key areas of practical concern raised repeatedly by our members.
11. We also asked our members what actions HMRC could implement to improve overall service standards.
12. This online survey was live between 12 March and 20 March 2009.

### **KEY POINT SUMMARY**

13. We remain concerned that the laudable aims of the Government are not being realised 'on the ground'. We are very concerned that the effect of the efficiency programme is that taken as a whole the level of customer services has not improved and in some areas has deteriorated. Over the past year, members have continued to express concerns about the level and quality of service provided by HMRC.
14. In our written evidence in 2007, we noted that HMRC's local office structure had been dismantled and that the new structures did not appear to provide adequate support mechanisms. Whilst we recognise that there have been some improvements and that HMRC staff are invariably seeking to do their best and are as helpful as they can be, we remain of the view that many of the concerns we set out in 2007 remain valid.
15. 62% of respondents to the current survey believe that their time and costs dealing with HMRC service problems have increased over the past 12 months, with 33% believing that they have increased significantly. Key areas for improvement are:
  - Better trained staff
  - Nominated staff having ownership of problems; and
  - Improved electronic systems and support.
16. HMRC has a procedure for providing compensation in cases of HMRC error. Although this is reviewed from time to time, with input from the professional bodies including the ICAEW, the review process has so far been unable to implement a fundamental change requested repeatedly by agents. The current version requires an agent to invoice the client for the cost of the agent's time which has been wasted dealing with HMRC errors.

17. This causes a further unnecessary strain between the accountant and the client in circumstances where there will have already been problems. In practice, the procedure is rarely used except in extreme cases where the cost of correcting an error is prohibitive. This process must be changed to allow the agent to seek compensation directly.

## **SPECIFIC COMMENTS**

### **Communication with HMRC by telephone and post**

18. Our members like to be able to communicate with HMRC using a variety of methods, telephone, post and, where available, email.

#### ***Telephone***

19. Members continue to report difficulties in contacting HMRC staff. This wastes much time and results in considerable frustration. If a letter is sent, it will possibly reach the right person. However, replies often invite the agent/employer to phone the writer of the letter on a given number but attempts to do so are often unsuccessful because even if the number cited is working the person frequently cannot be located.
20. If telephoning HMRC on a new point, initial contact by telephone is routed to a Contact Centre and Contact Centre staff do not have access to the paper files. Consequently, in many cases the query has to be passed on for another member of staff in a different office to call the practitioner back. This is inconvenient and wastes time.
21. A similar problem arises for employers. Although the 50,000 employers with more than 50 employees have Customer Relationship Managers, the remaining 1 to 1.5 million employers with less than 50 employees may encounter the same technical problems as the bigger employer yet they and their advisers have no dedicated contact point in HMRC.
22. Since our last survey, HMRC has introduced Agent Priority telephone lines. This has resulted in a slight reduction in the time it takes for a call to be answered. Two years ago, the average time taken for respondents to get through to HMRC was over one minute, but this is now around one minute.
23. Members have commented that Agent Priority telephone lines have made it easier to get through, although it depends on the time of year.
24. There were times during the weeks leading to the 31 January self assessment deadline when it was impossible to get through to the Online Services Helpdesk.
25. In our previous survey, only 56% of data change requests made by telephone were made at the first attempt, resulting in wasted time and costs (for taxpayers,

agents and HMRC). Our current survey placed this at 61%, which although an improvement, is rather disappointing.

- 26. Agents with more complex queries often have to wait for someone to call them back, and two years ago less than half of these queries were dealt with at the first attempt. Our survey indicates that little has changed, with only 40% having their query resolved at the first attempt.
- 27. Only 30% of respondents felt that when telephoning HMRC to discuss more complex client related queries, the technical knowledge of HMRC was usually sufficient to resolve the enquiry efficiently. We note however that this will depend on the individual.

### **Post services**

- 28. The time taken to deal with postal queries is a great cause for concern. In recent weeks we have had numerous reports of post not being logged as received by HMRC on the exact date of receipt and that HMRC is not opening and/or dealing with post quickly, with reports of post backlogs running into months.
- 29. Similarly, letters received from HMRC which are dated as written, are often not postmarked until 3 weeks later. Most recently, this has caused particular difficulty for taxpayers and agents in relation to self assessment final demand letters received during March 2009.
- 30. On average, members waited eight weeks before receiving a full answer to a written enquiry. The waiting time seemed to be the same for VAT and non-VAT queries.
- 31. As for telephone requests, only 60% of data change requests made by post were actioned at the first attempt. This is unchanged from 2007.
- 32. The technical knowledge of staff who respond to letters was felt to be considerably better than those who answered the telephone. 69% of respondents believed that this was usually sufficient to resolve their enquiry.

### **PAYE codes**

- 33. On average, our members estimate that 24% of PAYE coding notices they receive are incorrect. Chartered accountants will usually act for clients with more complex tax affairs, which may indeed be reflected by more complex PAYE codes. Nevertheless, 79% of our respondents believe that in more than half the cases of an incorrect notice of coding, HMRC already possesses the information which should have enabled a correct code to be issued at the outset. Indeed, 52% believe that that in more than 75% of the cases of an incorrect notice of coding, HMRC already has this information.

### **Repayment processing**

34. Repayments are made considerably faster when tax returns are made electronically. This has become even faster during the past two years. However, not all taxpayers can take advantage of this as they need to be within the self assessment system.
35. In 2007, we reported that less than 20% of tax repayment claims submitted on paper were received within a month, with a slight improvement for R40s. Electronic submission of tax returns resulted in faster repayment, with over 60% being received within a month.
36. In 2009, it remains that less than 20% of tax repayment claims submitted on paper are received within a month. Repayment following submission of a form R40 is received within one month in 45% of cases, whilst a repayment following submission of an electronic tax return is received within one month in 93% of cases.
37. The profession has asked repeatedly for an electronic system to be developed for submitting R40s. These forms are often used by lower paid and older taxpayers.

#### **VAT registrations**

38. Our respondents estimate that it is currently taking five weeks for applications for routine VAT registration to be processed. Non routine applications are taking 12 weeks. This is substantially better than the lengthy delays being experienced in 2007. There has been concern that performance has again started to slide since HMRC brought the situation under control in 2008. We were also concerned to note that HMRC appeared to have stopped publishing monthly statistics about VAT registration processing, but this appears to have now been addressed.
39. Concern has been expressed that non routine applications are taking too long. The survey suggested that members' experience is that this is taking 12 weeks. This figure is better than some of the more anecdotal stories of such applications taking six months or more. Nevertheless, for bon fide applications that have been sent for further checking, three months is a long time to wait and we think that for lower risk cases it should be much lower than this.

#### **Resolving service issue problems**

40. HMRC has moved largely to an 'automated processing operation' where manual intervention is kept to a minimum. Whilst this may work well for the majority of cases, it does not work well when problems develop that require the manual intervention of a member of staff. Where things go wrong, it seems difficult to track down a member of staff to discuss it, let alone one who can resolve the issue.
41. 62% of respondents to the current survey believe that their time and costs dealing with HMRC service problems have increased over the past 12 months, with 33% believing that they have increased significantly.

42. HMRC has a procedure for providing compensation in cases of HMRC error. Although this is reviewed from time to time, with input from the professional bodies including the ICAEW, the review process has so far been unable to implement a fundamental change requested repeatedly by agents. The current procedure requires an agent to invoice the client and be paid for the cost of the agent's time which has been wasted dealing with HMRC errors. This causes a further unnecessary strain between the accountant and the client in circumstances where there will have already been problems. In practice, claims are rarely made except in extreme cases where the cost of correcting errors is very high. We believe that changes need to be made to the compensation scheme so as to provide effective redress to taxpayers and their agents and also provide a clear incentive to HMRC to get it right first time.
43. HMRC has a procedure for providing compensation in cases of HMRC error. Although this is reviewed from time to time, with input from the professional bodies including the ICAEW, the review process has so far been unable to implement a fundamental change requested repeatedly by agents. The current version requires an agent to invoice the client for the cost of the agent's time which has been wasted dealing with HMRC errors. This causes a further unnecessary strain between the accountant and the client in circumstances where there will have already been problems. In practice, the procedure is rarely used except in extreme cases where the cost of correcting an error is prohibitive.

#### **Actions HMRC could implement to improve overall service standards**

44. We asked respondents to select from a list of possible actions which HMRC could implement to improve overall service standards. The list was made up of suggestions made by our members during recent months.
45. The three areas which received most votes were
- Better trained staff
  - Nominated staff having ownership of problems; and
  - Improved electronic systems and support.
46. The complete list is as follows:

	Percentage
Better trained staff	24.8
Nominated staff having ownership of problems	16.5
Improved electronic systems and support	12.8
More local staff	9.2
E-mail access to HMRC	9.2
Better response times	8.3
More accurate processing	7.3
Agent/client relationship managers	6.4



Improved telephone support	2.8
Technical enquiry line	2.8

## Online filing

47. Our members have reported a considerable improvement in the performance of HMRC's self assessment online filing systems. The system appeared to cope with the 31 January filing deadline much better than in previous years with the 31 January filing deadline even though the number of returns was far greater than in previous years. This was a welcome development and HMRC are to be congratulated. However, a number of structural problems remain more generally with HMRC's electronic systems, including the issue of wrong penalty notices and delays in processing information.

### ***Wrong penalty notices***

48. An unfortunate feature of HMRC's online filing system is that incorrect penalty notices for late or non-filing of returns are being issued on a regular basis. For example, employer end-of-year returns for 2007/08 employer end-of-year returns, were issued in Summer 2008 for forms P35 and in Autumn 2008 for forms P11D(b) (return of Class 1A NIC). When wrong penalty notices are issued, then HMRC normally seem to expect employers to contact HMRC to obtain confirmation that their penalty is cancelled. This wastes a lot of time for agents and for HMRC.
49. We understand that HMRC are still working on the problem. One area we have suggested HMRC should investigate is the connect between the government gateway and the HMRC website.

### ***HMRC delays in processing information***

50. We are also concerned about delays by HMRC in processing information that has been submitted electronically. We are particularly concerned that Lord Carter of Coles' vision that validating, checking and processing of return information should be instantaneous on e-filing of returns is not being realised. We know, and we suspect that some data that is submitted electronically, such as trust tax returns, has then to be subject to separate processing at a later date. However, without a detailed understanding of HMRC's processes we do not know the extent of this issue.
51. Proper updating of all information submitted electronically would ensure that employee and employer records are correct and obviate incorrect penalties, code numbers and NIC deficiency notices.
52. We suggest that HMRC needs to prioritise a review of its back office systems. These must work properly and data sent electronically should be processed in accordance with Lord Carter's proposals. We note that updating HMRC's employer database and combining the income tax/PAYE database with the NIC database, which was to have taken place in October 2008, has been delayed, probably to summer 2009. This needs to be prioritised.



## RECOMMENDATIONS

### ***Agent helplines***

53. We support the development of dedicated agent helplines which have result in an improved telephone support for agents. More also needs to be done to publicise the existing agents' priority lines.

### ***Better training***

54. One quarter of respondents recommended that there should be more investment in better staff training.

### ***Improved electronic services***

55. With the move to centralised processing, HMRC needs to ensure that taxpayers and agents have easy access to HMRC. HMRC needs to develop the use of email and explore other IT solutions. We appreciate that HMRC is working on the use of email but progress needs to be speeded up. We believe that email could represent an effective supplement to agent help lines, enabling queries to be directed to - and to be responded to by - a suitably qualified person who would respond directly. This would also resolve the problem of agents having to keep a number of files to hand while awaiting call backs from HMRC.

56. Experience in other tax administrations suggests that there is considerable scope for further enhancement of e-services. Further electronic services should include as a matter of priority an electronic R40 repayment claim. Most agents who use commercial software input the information for both SA and R40 cases in exactly the same way and only select the format of the form at the final stage. Enabling agents to file R40 cases electronically would further drive e-service take up and reduce both HMRC's and agents' costs. As an alternative to creating an electronic R40, a special range of Unique Taxpayer References could be allocated to R40 cases so that they could simply file through the main SA online system but could still be distinguished from SA filers.

57. HMRC needs to prioritise integration of its electronic back-office functions in accordance with Lord Carter's recommendations so that there is seamless and timely updating of records.

### ***Dealing with problems***

58. A continuing theme of the reorganisation is that HMRC has moved to an automated processing operation but, when things go wrong, it is not easy to speak to a member of staff let alone get them to put it right. This leads to costs for taxpayers, agents and for HMRC. HMRC needs to have systems in place to deal quickly and effectively with problems. This needs to include:

- nominated staff having ownership of problems;
- staff having sufficient skills to solve problems; and
- that measures of service quality should include the efficient and effective resolution of issues (see further below).

59. Large businesses and employers already have ready access to HMRC staff following the Varney review and the establishment of Customer Relationship Managers. This should be extended to cover all taxpayers and their agents. HMRC has been piloting the use of Customer Relationship Managers for smaller businesses and their advisers and feedback we have received is that this is working well. If this pilot was rolled out nationally we think it should help to address many of the problems arising and also provide a very useful 'safety valve' and therefore improve relations between agents and HMRC.

***A set of service standards***

60. We stated in our written evidence to the Treasury Committee in 2007 that HMRC should commit to a set of service standards. The Treasury Committee recommended that HMRC develop *measures of service quality which properly capture the experience and needs of users* (see paragraph 17 of the 2007 report).
61. The Government response in November 2007 stated that HMRC had drawn up a standard and had developed a toolkit that would form the basis for a new quarterly customer survey. We believe that these developments have potential. However, we are not aware that these developments have been progressed.
62. We had a number of discussions with HMRC about developing a set of service standards in early 2008 but progress on this issue seems to have slowed. We appreciate that development of a robust, reliable and helpful set of standards will take time to develop. However, the results of our latest survey confirm that HMRC's service standards are still a cause for concern and that this issue now needs to be given a higher priority. HMRC should work with the professions to bring forward some concrete proposals for consideration and implementation this year.

***Redress when things go wrong***

63. Changes need to be made to the compensation scheme so as to provide effective redress to taxpayers and their agents and also provide a clear incentive to HMRC to get it right first time.

**WHO WE ARE**

1. The Institute of Chartered Accountants in England & Wales is a professional body representing some 128,000 members. The Institute operates under a Royal Charter with an obligation to act in the public interest. It is regulated by the Department of Trade and Industry through the Accountancy Foundation. Its primary objectives are to educate and train Chartered Accountants, to maintain high standards for professional conduct among members, to provide services to its members and students, and to advance the theory and practice of accountancy (which includes taxation).
2. The Tax Faculty is the centre for excellence and an authoritative voice for the Institute on taxation matters. It is responsible for tax representations on behalf of the Institute as a whole and it also provides services to more than 11,000 Faculty members who pay an additional subscription.
3. Further information is available on the ICAEW Tax Faculty website at [www.icaew.com/taxfac](http://www.icaew.com/taxfac) or telephone 020 7920 8646.

## THE TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

*These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99; see <http://www.icaew.co.uk/index.cfm?route=128518>.*