



## DIGITAL BY DEFAULT

**Comments submitted in October 2011 by the Tax Faculty of the Institute of Chartered Accountants in England & Wales (ICAEW) to HMRC in response to the consultation on Digital by Default issued in August 2011**

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## DIGITAL BY DEFAULT

### INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the consultation document Digital by Default, published by HMRC in August 2011 at [http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageLibrary\\_ConsultationDocuments&propertyType=document&columns=1&id=HMCE\\_PROD1\\_031509](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031509)
2. We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.
3. Information about the Tax Faculty and ICAEW is given below. We have also set out, in the Appendix, the Tax Faculty's Ten Tenets for a Better Tax System by which we benchmark proposals to change the tax system.

### WHO WE ARE

4. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter which obliges us to work in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 136,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
5. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
6. The Tax Faculty is the voice of tax within ICAEW and is a leading authority on taxation. Internationally recognised as a source of expertise, the faculty is responsible for submissions to tax authorities on behalf of ICAEW as a whole. It also provides a range of tax services, including TAXline, a monthly journal sent to more than 8,000 members, a weekly newswire and a referral scheme.

### MAJOR POINTS

7. The Tax Faculty supports the move to expand the number of Government services being made available online. We understand the need to move from 'A neutral 'multi-channel' approach, towards one where people are actively encouraged to use digital online channels for public services – Digital by Default.'  
Para 2.2

However there is a considerable distance between 'actively encouraging' people to do something and making it virtually impossible to do things any other way.

8. We strongly oppose any attempts to make any more tax filing with HMRC compulsory, either by businesses or by individual taxpayers during the next five years. Systems must be allowed time to settle down, IT providers must be allowed time to establish good reliable and comprehensive packages and the public must be allowed time to become more confident with digital channels, before anything further is mandated. We are concerned that the cost of developing the new Registration Wizard and online service, together with the use of the term 'will' rather than 'would' in questions 4 and 13, is a strong indication that the 'digital by default'

decision has already been taken. Very careful consideration should be given to the balance between potential benefits for HMRC and additional burdens for businesses.

9. The Government has committed to making high speed broadband access available throughout the UK by 2015. It is unreasonable to expect taxpayers to have to file more returns using online means as the default method until this is in place and further time has been allowed for people to implement the means to use those channels.
10. We consider that larger, more established businesses and employers are better able to cope with the move to digital filing, but that they will naturally move to this as their preference as it becomes the cheapest and most convenient and reliable method to interact with HMRC.
11. Some smaller businesses and new employers will be put off continuing their new business ventures or from employing people if they are forced to use digital methods to register with HMRC. This would add a further admin burden for businesses and be harmful for growth and employment.
12. We recommend that the minimum tagging list should be retained beyond 2013 and continue until the move to IFRS is complete and implemented in company accounts. In addition, before requiring more data to be tagged, HMRC should be able to demonstrate that it can use all the information currently supplied.
13. Accountants and other tax agents need better and more efficient access to the Registration Wizard currently being designed. The current web screens will waste professionals' time and increase costs to business.
14. We believe that a number of people will not have taken up digital media due to concerns about security, in particular the ability of hackers and criminals to steal data and sensitive confidential information. Recent reports show that threats to the UK appear to be growing and it is inevitable that security costs will have to increase to counter such threats. While we appreciate that such problems exist with traditional communication channels, the potential for such problems to occur in the digital channels appears considerably greater and it is not unreasonable for businesses, particularly smaller businesses with simple and straightforward affairs, not to want to run into these risks when there is no business reason to do so.
15. We have submitted a separate response to HMRC's consultation document [VAT: consultation on the next steps for moving VAT online](#) published in August. In this we have also expressed our continued opposition to mandating online filing for VAT returns, particularly for small businesses.
16. The Tax Faculty has published this response as [TAXREP 66/11](#).

## RESPONSES TO SPECIFIC QUESTIONS

### Corporation tax

#### Q1 HMRC would welcome views on the balance between a statutory and non statutory approach to making the digital channel the default option for obtaining CT information

17. At para 2.9, the consultation document claims that Mandation of Corporation Tax online filing ... has also been successful. We wonder how the term 'successful' has been defined for this purpose?
18. While most companies may indeed be filing online, our members tell us that iXBRL tagging has taken many additional hours of work. In addition, most commercially available accounts production software still struggles to tag to the required standard without human intervention. HMRC acknowledges this by accepting that during the soft landing period, a 'best attempt' at

tagging will suffice. We question whether the benefit to HMRC of the data currently being successfully tagged, justifies the costs imposed on businesses to supply it.

19. A statutory approach for corporation tax has undoubtedly ensured that there is a better commercial marketplace for software and associated support and advice. If all companies, large and small, together with other entities which need to file corporation tax (CT) returns have to use the same process, then education about the process becomes compulsory, information and help become more widely available and the software options more numerous, reliable and cheaper. Unfortunately however, this carries a huge cost to business. We do not think these were properly recognised in previous impact assessments.
20. The question asks about the balance between a statutory and non statutory approach to making the digital channel the default option for obtaining CT information. Making a new company tell HMRC, using digital means, that it has started trading, is one thing. Dictating what that digital route might be is another matter. For example, a company must file its corporation tax return online, but it is the further requirement that it should use iXBRL for the computations and accounts, which causes problems for many.
21. A statutory approach to the digital channel removes any possibility of the free market being allowed to decide what is best for business. We consider that if the Registration Wizard is the best and easiest route to communicate with HMRC, then businesses will choose to use this of their own accord. They do not need to be forced to.
22. HMRC has confirmed that there are no plans to produce an agent friendly “cut-down” version of the registration wizard nor a version of online forms which can be submitted direct from an agent’s software. We have consistently requested this since we were first given an opportunity to review the proposed web pages for the Registration Wizard.
23. The approach used in developing the first batch of ‘RegWiz’ online forms has been to aim them at unrepresented taxpayers with no tax experience. We appreciate that HMRC is working hard and making good progress to ensure the RegWiz forms are user-friendly for such unrepresented tax payers and that this is not an easy thing to achieve.
24. Since tax is a complex subject, this aim necessitates providing a good deal of guidance on each page, so that each only covers a specific limited area to ensure the unrepresented can cope with each stage. A significant drawback of this approach is that it takes a long time to get through all of the pages merely to complete one form.
25. For specialist agents, who may need to register a number of taxpayers in one day, and who are used to and familiar with the concepts involved, this will be extremely frustrating and time-consuming. Clicking between pages and the use of dropdown menus takes valuable time and would significantly increase costs for agents and their clients – an additional cost and burden for businesses, which is of course the opposite to what is intended.
26. We strongly urge HMRC to provide a cut-down ‘clean and quick’ version for agents which will then attract more agents to use the digital channel as their default option by choice.
27. We prefer a non statutory approach which will allow time for:
  - businesses, agents and government departments time to become familiar with the new systems, and
  - necessary changes to be made to the systems themselves when problems are identified or where improvements are deemed necessary.
28. As the software improves and the systems are seen to be reliable and bring benefits such as faster processing and certainty, the business case will be proved and increasing numbers will file online voluntarily.

29. HMRC's successful use of digital filing must be seen as a service for business and not as a means to an end in itself. If any business fails because its owner can't face the digital filing puzzle which accompanies it, HMRC has failed.

**Q2 If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved.**

30. The most effective way of promoting a non statutory digital channel is to provide a robust system which is quick and easy to use and which wins the confidence of business over a period of time.

**Use of standard forms and templates**

31. Para 3.5 suggests that 'A non-statutory approach might involve the removal of paper ... templates for supplying specified information'. We do not think this would be a sensible step.

32. We believe that information in a letter costs HMRC more to process than that set out on a standard form. We recommend that HMRC retains its forms on line at the very least, which could be downloaded or even sent out by post as a last resort, to businesses which can't make their return in any other way.

33. Businesses also use HMRC forms as a check list, to assemble the information needed before inputting it online.

34. If people see the advantage of the online approach they will choose to use it. The benefits which the digital option must deliver are

- Certainty
- Reliability
- Faster processing of information and associated refunds
- Convenience. It can be used anywhere at any time.

35. The digital channel must be available and easy to use on all platforms including iPads and iPhones.

36. A financial incentive would be a possibility, but depends on the availability of Government funding. PAYE online was very successful in part due to the cash incentives. In the early years, there was also a £10 credit for filing ITSA returns online. This attracted a number of people to use it who may not otherwise have bothered.

**Q3 We would welcome views on getting the balance right between the spirit of Digital by Default and providing an 'Assisted into Digital' alternative in a narrow range of cases**

37. Most taxpayers filing corporation tax returns and registering new businesses will be commercial, but not all. We recommend a voluntary system to begin with to allow people to get used to using it. Although business advisers will be able to benefit from a learning curve, businesses registering for themselves will not since it is a task most will only do once.

38. After the system has been live for a year or two HMRC should ask a sample of users/non-users why the service was used/not used, whether it was useful, etc. This intelligence can be fed back into the design and marketing of the system and be used to make improvements.

39. Accountants and other 'super-users' can be targeted more heavily.

**Q4 Are there particular groups for which CT Digital by Default will impact more heavily? What mitigation strategies might assist?**

40. We are concerned that the use of the word 'will', coupled with reference to mitigation strategies in this question implies that a decision has already been taken to proceed with Digital by Default for corporation tax.

**Those without access to broadband**

41. Many of our members have written to us about the poor broadband connections in some parts of the UK. Some areas have none at all and it seems likely that there are a large number of cottage industries located in rural areas which are often the worst affected.
42. Even where broadband does exist, it is susceptible to breakdown and accidents. Although tax legislation accepts such incidents as being a reasonable excuse for not filing online, on time, it would be better for business if they could revert to paper registration and paper filing where necessary without incurring the administrative chore of appealing against penalties.
43. CT Digital by Default will impact adversely groups such as rural users, those with poor IT skills, those with disabilities such as the visually impaired and the elderly.
44. Businesses which are unable to use the digital channel should not be prevented from existing and thriving since they too contribute to the economy of the UK. Nor should they be forced into the black economy.
45. We suggest that such businesses could register and be dealt with separately by a separate office within HMRC by phone or paper as appropriate. This could be accessed by a separate telephone number or even an email service (which may be easier to use on a dial up connection). The population would then be identifiable and could be helped into digital over a period of time if appropriate. This office should be easily contactable. If businesses sought to abuse the facility, they could be pointed back to the mainstream registration and filing system. Those using it legitimately, could be helped into digital if their circumstances changed.

**Q5 HMRC would welcome views on the considerations that should be taken into account when deciding the period for which the minimum tagging list for accounts should continue to apply?**

46. We currently have a 2 year HMRC soft landing period, which is due to expire on 31 March 2013. We note that Companies House has announced that it is deferring mandatory iXBRL filing until 2015 at the earliest.
47. Very significant changes to accounting standards are expected over the next few years which are almost certain to have significant effects on taxonomies.
48. The marketplace for iXBRL tagging, a combination of professional services firms, offshore outsourcers and software companies, remains of variable quality and pricing, together with best practice, remains largely immature.
49. Our view is that we don't want a slightly harder soft landing period, nor any other change, until the introduction of iXBRL has been reviewed, and moreover Companies House and HMRC can jointly announce a longer term approach, including full tagging. We would therefore expect the current minimum tagging list to continue until 2015 at the very earliest.
50. We also consider that until HMRC is effectively using the information gathered from the minimum tagging list for accounts, it should not consider expanding its data set. Currently HMRC has been unable to explain why it selected the minimum tagging set despite repeated requests, is performing almost no comparison from the accounts to the tax computation, accepts accounts which are grossly lacking through its portal, and accordingly looks some years away from being ready to use the minimum tagging set much less justify its expansion.
51. The substantial costs of the iXBRL imposition on UK businesses should not be underestimated and HMRC should be very wary about imposing more costs on the CT sector for

some years to come: HMRC failed to act on Lord Carter's recommendation (at paragraph 7.3 of his Review of HMRC Online Services) that "HMRC should not require online submission of company tax returns until XBRL has been implemented and has bedded down the software market, rather than responding to it. The iXBRL marketplace should have been allowed to develop in response to the commercial requirements of businesses. Had Lord Carter's recommendation been accepted by HMRC, this additional burden for every company in the UK could have been avoided.

## **Small repayments**

### **Q6 HMRC would welcome views on these two alternatives**

52. The options are:

1. No repayment under a specified amount unless the company requests it, so small repayments due would be deferred automatically, or
2. Repayments under a specified amount would be made using electronic means where a company had provided bank details, or deferred where no bank details are provided (unless a specific request for repayment by payable order is made)

53. On balance we prefer option 2, with some amendment.

54. While deferring small repayments automatically appears sensible, it would still need to be complemented by an online repayment claim system, as exists for ITSA, and a printable form for those who cannot engage online. If a company is to be struck-off, for example, some means for obtaining a refund must exist.

55. Option 2 would work well but only if the company had the option to defer amounts under a specified amount which it could specify itself, as now, so it can avoid its own processing costs and bank charges. We would also recommend having the option to generate a repayment/transfer the funds to another period via the liabilities and payments system (L&P) by entering bank details/transfer details, or phone call to the collector.

### **Q7 What might be an appropriate specified amount, under such a proposal? Would £250 seem a sensible level?**

56. The late filing penalty starts at £100. It is surprising therefore that £250 is considered a level below which companies are not concerned about being repaid.

57. The lack of use of the existing facility indicates either that the facility is not widely known, that it is difficult to use, or that a £20 refund is considered important by users. A tenfold increase is unlikely to change any of these features or discourage companies from preferring repayment to deferral. We suggest that the £20 level is retained, but with an option within the L&P system for the taxpayer to adjust the level or transfer the funds to an open period.

### **Q8 HMRC would welcome views on how to get more companies to supply details that would allow them to receive electronic payments for any amount as a default without compromising any essential security or other considerations.**

58. If companies are told that as for ITSA repayments, the only way a repayment will be made is to a bank account, they will provide details. There will still need to be a mechanism for dealing with situations such as companies being wound up, where there is no bank account.

59. Some of our members have told us that entering bank details on a return can be difficult, particularly under iXBRL and e-filing protocols. It would be far easier to enter them directly onto L&P by means of a box labelled 'generate repayment' which led to a standard e-money transfer form.

## Email addresses

### Q9 Are there circumstances where HMRC should not require an email address as part of a company's designatory details?

60. Some companies use many email addresses, some have none from choice or because it is not relevant or necessary to their business model. Others will prefer all contact to be via an agent (although these people could enter their agents' email addresses). Certain businesses operate in e-secure environments, although these should still have some external access even if there is no direct connection to the internal site.
61. Emails change frequently and spam filters prevent emails getting through. HMRC would need to discuss its plans with commercial spam filter providers to ensure that its emails get through.
62. We do not think that providing an email address should be a designatory detail.
63. A web-based service could be better but this relies on people proactively going to the site.
64. HMRC must continue to send some things by paper, but could review what is essential. We would be happy to participate in such a review.
65. If email is adopted as the default communication channel, HMRC should always send everything to at least two active addresses. Unlike tangible post, emails are not obvious to people other than the recipient, email addresses change regularly and people go on holiday or are sick. 'Generic firm' email addresses will often not be appropriate due to access issues.

## Income tax self assessment

### Q10 HMRC would welcome views as between a statutory and non statutory approach to making the digital channel the default option for registering for ITSA

66. We strongly advise against making the digital channel the default option for registering a business for ITSA.
67. Perhaps the main problem with registration is lack of awareness - people do not know that they have to register so they don't. The 80% figure for ITSA returns filed online suggests that many people are willing to work online, but that others either are not, or cannot. 20% of the population is still fairly significant, indicating that mandation is not the right route. We also believe that a large proportion of those who file online are represented by agents. There will be more unrepresented taxpayers filing on paper and reaching this population to tell them to register their new self-employment will be difficult.
68. Many small businesses will not need to use a computer in their early stages and can exist simply using a notebook and lever arch file to keep their accounting records. It is wrong to insist that they need access to technology simply to declare their existence to HMRC.
69. As for other taxes, we consider that until there is access to fast and reliable broadband throughout the UK, the default option for registering for ITSA should not be digital, but should remain as optional.
70. The consultation document states at para 4.9 that the issue in question relates only to registering a business for self assessment. We presume this also excludes property businesses the income from which will be returned on the Land and property pages rather than the self employment pages of the ITSA return.

### Q11 If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved

71. The same considerations apply to ITSA businesses as to CT businesses.
72. If people see the advantage of the online approach they will choose to use it. The benefits which the digital option must deliver are
- Certainty
  - Reliability
  - Faster processing of information and associated refunds
  - Convenience. It can be used anywhere at any time.
73. The digital channel must be available and easy to use on all platforms including iPads and iPhones.
74. A financial incentive would be a possibility, but depends on the availability of Government funding. There also used to be a £10 credit for filing SA online. This attracted a number of people to use it who may not otherwise have bothered.
75. In terms of targeted marketing, the obvious groups who may set up as self employed are the newly retired, the newly unemployed (including those re-entering education or on maternity leave) and graduating students.
76. We suggest that information packs normally sent to the above groups, including new parents as many new families will have one member who changes their working pattern, contain a link to a central 'thinking about starting a business - who you need to tell and when in the government' website that could then direct them to one-click.
77. We suggest website notices that trading via eBay, renting out rooms for the Olympics, Wimbledon etc, **are** reportable activities.

**Q12 We would welcome views on how HMRC can best provide an 'Assisted into Digital' support**

78. It is important to understand whether businesses prefer not to use the digital option or whether they actually can't use it. Within each type there will be shades of grey.
79. We suggest gentle persuasion rather than mandation. While the majority use the online notification route, remaining HMRC resources can be used to process the remainder.
80. As we have suggested for companies, ITSA businesses unwilling or unable to use the online channel, could register and be dealt with separately by a separate office within HMRC by phone or paper as appropriate. This could be accessed by a separate telephone number or even an email service (which may be easier to use on a dial up connection). The population would then be identifiable and could be helped into digital over a period of time if appropriate. This office should be easily contactable. If businesses sought to abuse the facility, they could be pointed back to the mainstream registration and filing system. Those using it legitimately, could be helped into digital if their circumstances change.

**Q13 Are there particular groups for which ITSA Digital by Default will impact more heavily? What mitigation strategies might assist?**

81. The same considerations apply to ITSA businesses as to CT businesses. Digital by Default will impact groups such as rural users, those with poor IT skills, those with disabilities such as the visually impaired and the elderly.
82. We are concerned that the use of the word 'will' in this question implies that a decision has already been taken to proceed with Digital by Default to register a new business for ITSA.

83. Many of our members have written to us about the poor broadband connections in some parts of the UK. Some areas have no broadband access at all. It seems likely that there are a larger number of cottage industries located in rural areas which are often the worst affected.
84. Even where broadband does exist, it is susceptible to breakdown and accidents. Although tax legislation accepts such incidents as being a reasonable excuse for not filing online, on time, it would be better for business if they could revert to paper filing where necessary without incurring the administrative chore of appealing against penalties.
85. Our members have also reported problems using broadband at certain times of day. After schools finish, greater numbers of children go online. This slows down access to the internet for many businesses.
86. Businesses which are unable to use the digital channel should not be prevented from existing and thriving since they too contribute to the economy of the UK. Nor should they be forced into the black economy.
87. We suggest that such businesses could register and be dealt with separately by a separate office within HMRC by phone or paper as appropriate. The population would then be identifiable and could be helped into digital over a period of time if appropriate. This office should be easily contactable. If businesses sought to abuse the facility, they could be pointed back to the mainstream registration and filing system.

**Q14 Are there circumstances where HMRC should not require an email address as part of the requirements for registering for ITSA?**

88. Emails are a useful way to receive messages, but can become unreliable over time. Many new businesses start with a 'hotmail' or gmail address and then once they set up a website, acquire a different one. They will probably forget they need to provide a new email address to HMRC.
89. Even if an email is made mandatory, some people will not have one. If they do not check their email regularly, perhaps because their business is non office based (gardeners, window cleaners, market traders for example), they won't receive emails sent by HMRC.
90. There is a danger that a small business will be more susceptible to thinking spoof emails purporting to be from HMRC are genuine. They may assume that a repayment offer is correct rather than investigating it.

**Ceasing businesses**

**Q15 HMRC would welcome views how best to proceed in this sensitive area (cessation) when one timely notification could save much wasted administration and circumvent considerable anxiety**

91. We agree that some form of de-registration process is needed. However, we urge caution. For example, many people are in ITSA because they have both business and untaxed non-business income to declare. It would be dangerous to take them out of ITSA automatically without first checking. A little more personal and targeted contact would help.
92. The process could be improved if HMRC was able to cancel ITSA returns issued in error and also if it selected cases to remove from the self assessment process much later in the cycle so it could reflect entries in the previous return.
93. A 'click button' on L&P to de-register the business would be a simple and easy way to de-register the business.

**Q16 How can HMRC best ensure only those registering for self-employment go to Registration Wizard?**

94. We do not see why a system which works for businesses should not also be available to others? It would be an additional burden to have two systems, running in parallel, determining whether an ITSA return is required. We also see problems defining a business, particularly as those with income from land and property are also in business.

### **Pay as you Earn (PAYE)**

**Q17 We would welcome views how best this might be handled (cessation) when one timely notification could save much wasted administration and circumvent considerable anxiety**

95. For the reasons stated in para 5.5, we welcome the proposal to enable employers who are closing a PAYE scheme to notify HMRC using a simple wizard.

### **NIC-only PAYE schemes**

96. For both starting and ceasing schemes, NIC-only PAYE schemes need to be catered for.

97. These schemes will typically include employees who are working elsewhere in the EU with no UK duties, and who have no UK income tax liability, but who remain subject to UK NIC.

98. We suggest that the wizard for registering PAYE schemes includes a box which can be ticked if the scheme is a NIC-only scheme. This would obviate the need for HMRC subsequently to raise inquiries about why no PAYE tax has been accounted for.

### **Individuals without a NI number (NINO)**

99. If online notification of a PAYE scheme ceasing becomes the default, the system also needs to be able to cope with contrived circumstances, or else alternative arrangements made. There are individuals who are not liable to pay NIC and so under Regulation 9 of the Social Security (Crediting and Treatment of Contributions, and National Insurance Numbers) Regulations 2001 (SI 2001/769) have no right to a national insurance number (NINO).

100. Examples include a US citizen working in the UK who has a US certificate of coverage (which exempts him from UK NIC for up to five years). As he or she is thereby treated as not meeting the residence tests referred to in Reg 9, he or she will not be eligible for a NINO.

101. We understand that as HMRC uses NINOs to file customer data and does not recognise an agent as acting if he cannot provide the client's NINO, workarounds have been devised by HMRC to enable NINOs to be used, even though, strictly speaking, such individuals should not have a NINO and agents who request NINOs for those who are not within Reg 9 are breaking the law. We therefore suggest that Reg 9 be amended (as has been done in Reg 9(4) to cover student loans) to make legal that which is happening in practice.

### **Class 2 National Insurance contributions**

**Q18 Are there any particular issues for Class 2 NICs?**

102. It would be helpful to have a wizard to enable those who are no longer liable to Class 2 to tell HMRC. Under the current system, notification often takes place in response to a demand for payment.

103. HMRC needs to ensure that those who are not due to pay Class 2 (and Class 4) are catered for. For example, sleeping partners, foreign residents and those over State Retirement age. Currently one seems to have to register even when Class 2 and Class 4 are not due and the taxpayer has to complete ITSA already. This is a waste of everyone's time.

### **Tax Impact assessment**

**Q19 On the basis of information in this document do you have any comments on the assessment of impacts?**

104. We consider the financial impacts of the proposed changes to be understated.

105. If it becomes necessary to register a new business using a Digital by Default channel, there will be some individuals setting up a new business who will find the digital process just too cumbersome to use. Others will lack the necessary access to computers or to the internet. These small businesses may just fail to get started at all, or enter the black economy by default. Either way, there will be a loss to the exchequer.
106. Similarly, if it proves too cumbersome to set up a new PAYE scheme using the digital channel and if the telephone isn't an option, some potential new employers will not bother. Jobs will be lost, or else the workers will be treated as 'self employed' by the engager. This will also clearly have compliance consequences.
107. Digital by default will impact on individuals. It takes time and effort to get to grips with what is required and then do it online. There is no advantage of a learning curve for an individual who only sets up in business once or only sets up one PAYE scheme. It may be difficult to put a cost on this but it should not be under-estimated.
108. Unless there is access to a cut down registration wizard for agents to use, agents will find it takes longer to do on the web, what they do now on paper. This would be a regrettable additional cost of making a switch to Digital by Default.
109. It seems odd that the impact assessment claims that there will not be any age discrimination issues when older people are less likely to have access to the internet and to be familiar with computers. We do not have any evidence to support this, but suggest this needs further research in advance of any decisions being taken.

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**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.com/~media/Files/Technical/Tax/Tax%20news/TaxGuides/taxguide\\_towards-a-better-tax-system.ashx](http://www.icaew.com/~media/Files/Technical/Tax/Tax%20news/TaxGuides/taxguide_towards-a-better-tax-system.ashx))