

Tax Representation



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THE WORKING TOGETHER E-FILING GROUP ONLINE FILING SURVEY FEBRUARY 2009

Results of a joint survey on e-filing by the Working Together professional bodies, submitted to HMRC on 31 March 2009

Contents	Paragraph
Introduction	1 - 3
The report	
• Executive summary	4 – 12
• Introduction	13 – 17
• About our respondents	18 – 22
• Proportion of returns filed online	23 – 27
• E-filing software used for personal tax returns	28 – 35
• E-filing software used for partnership tax returns	36 – 39
• E-filing software used for trust tax returns	40 – 43
• Experience of e-filing compared with 2007 returns	44 – 47
• Which single improvement would encourage more e-filed returns in future years?	48
• HMRC alerts and guidance	49 – 56
• HMRC and third party software providers' services	57
• Other improvements to online filing in general	58
• Appendix: Number of respondents who had suffered serious inconvenience by various known e-filing faults	

Annex 1 - Who we are

Annex 2 - The Tax Faculty's Ten Tenets for a Better Tax System

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INTRODUCTION

1. The Institute of Chartered Accountants in England and Wales, through the Tax Faculty, is a member of the Working Together e-Group which works with HMRC on the implementation of the Carter proposals and related practical issues.
2. This is the report of the results of the group's recent survey into agents' experiences of this year's 31 January e-filing deadline.
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.

Executive summary

1. The professional bodies (AAT, ACCA, ATT, CIOT, ICAEW, ICAI and ICAS) represented on the Working Together e-Group have carried out their fourth pan-profession survey. Through the e-Group the profession and HMRC work together on the implementation of the Carter proposals and related practical issues.
2. With more than two-thirds of 2007/08 self assessment personal tax returns filed online, and with around 75% of these being filed by agents, e-filing appears to have received wide acceptance among tax agents and taxpayers.
3. While e-filing seems to have worked successfully in many cases, we are aware that some users experienced difficulties. This survey was conducted by the professional bodies involved in Working Together to help identify specific problems that arose, so that we can help HMRC eradicate these for the future.
4. The agents who responded to our survey were almost all professionally qualified and had considerable experience with online filing. Between them we estimate that these agents were responsible for filing at least 470,000 self assessment returns for individuals online last year.
5. Almost 90% of agents use third party software packages for the majority of their e-filed returns and more are intending to move to them for the additional benefits they provide over and above that provided by HMRC software.
6. Less than half of 1% of the respondents are considering a move away from third party software to HMRC software, indicative of the additional functionality aimed at agents which third party software provides.
7. The survey results indicated that the HMRC website guidance on online filing is under-utilised due to difficulties in finding information. Improved layout and links, a better search facility and swifter updating would make a big difference to users.
8. The e-filing problems which seemed to cause the most serious inconvenience were:
 - Delays by HMRC in issuing new UTRs
 - Having to use 'workarounds' to deal with system inadequacies
 - Misleading design of HMRC 'tax due' screen, creating confusion about how much tax was due and payable by 31 January 2009.
 - Late withdrawal of agents' facility to obtain copies of clients' statements with payslips attached.
9. The improvements which members thought would most encourage e-filing were:
 - Faster provision of UTRs
 - Fewer 'workarounds'
 - Faster system for processing agent authorisation
 - Faster receipt of activation codes.

10. Mixed responses were provided when asking members about other services provided by HMRC and the commercial software industry. Generally these views reflected the improvements requested. The detailed results are set out below.
11. On a general note, finding an HMRC member of staff who could or would take responsibility for a problem was often an issue. Members often felt caught between anonymous departments of HMRC.
12. In conclusion, the filing statistics themselves reflect a very successful year but do mask very many unresolved problems, some of which are systemic, which waste time and resource. A better system is needed to resolve these cases.

Introduction

13. In February 2009, the professional bodies (AAT, ACCA, ATT, CIOT, ICAEW, ICAI and ICAS) represented on the Working Together e-Group carried out their fourth pan-profession survey. Through the e-Group the profession and HMRC work together on the implementation of the Carter proposals and related practical issues.
14. The rapid move to e-filing during the past couple of years led this year to more than two-thirds of 2007/08 self assessment personal tax returns being filed online.
15. While e-filing seems to have worked successfully in many cases, we are aware that some users experienced difficulties. This survey was conducted by the professional bodies involved in Working Together to help identify specific problems that arose, so that we can help HMRC eradicate these for the future.
16. The survey was live between 17 February and 28 February and was accessed via links from various news sources and websites. In overview we asked:
 - What software agents were using
 - Whether they had experienced more or fewer problems than in January 2008
 - What improvements to the system would increase their use of e-filing
 - About the quality of HMRC's guidance
17. The survey focussed on e-filing self assessment tax returns for individuals, partnerships and trusts.

About our respondents

18. The agents who responded to our survey were almost all professionally qualified and were using some form of online filing.
19. There were 1,016 respondents, with over 1,000 answering most questions. Although some of the results may not be 100% 'statistically confident', we consider that they are a reliable reflection of this group's views.
20. In addition, whilst the respondents were self-selecting, in that they were people who volunteered to respond, rather than a randomly selected sample of members of the professional bodies, we have no reason to think that the responses were not indicative of widespread views within the profession. The results are backed up by anecdotal evidence from the professional bodies.
21. Respondents were asked a number of questions about themselves, for example, to indicate their qualifications and how many returns they were responsible for submitting to HMRC. This provided a good indication that the respondents came from a wide variety of size of firms and backgrounds.

22. Most of our respondents had previous experience of e-filing, with only 18% filing online this year for the first time. 45% had been e-filing for four years or more.

Proportion of returns filed online

23. We asked our members what proportion of tax returns they had filed online this year. 32% had filed all of their personal tax clients returns online, with a further 55% filing 90% of personal returns online.
24. Of those respondents who acted for partnerships, an even greater proportion (47%) filed all partnership returns online. A further 33% filed 90% or more of their clients' partnership returns online. This may be attributable to:
- the differential filing date for paper and electronic returns
 - the absence of a capping provision for partnership returns for the £100 late filing penalty, and
 - the fact that partnership returns will often be more complex with figures not available until after the 31 October paper filing deadline has passed.
25. Of those respondents who acted for trusts, 34% filed all trust returns online. A further 23% had filed 90% or more of their clients' trust returns online.
26. Between them we estimate that the agents who responded to our survey were responsible for filing at least 470,000 personal, partnership and trust tax returns online last year.
27. Not only have a considerable number of agents embraced the move to e-filing, but they have also e-filed about three quarters of all e-filed 2007/08 tax returns received by HMRC.

E-filing software used for personal tax returns

28. Very few of our respondents used HMRC free online software for personal tax returns. 81% didn't use it at all and a further 6% used it for fewer than 10% of personal returns that they filed.
29. While 10% of our respondents had used the free HMRC product for all returns, these accounted for about only 5,000 to 6,000 returns – ie well under 2% of returns filed by agents in the sample. They are therefore generally the very small firms of agents with most having fewer than 100 clients.
30. Of the 191 who used HMRC software at all, 62 used the capital gains worksheets and 36 the foreign pages. In both cases almost 60% used the HMRC software for all SA returns, with few other users using these supplementary pages.
31. We had listed all of the software suppliers known to us in order to make electronic analysis easier. Only one respondent used software which was not on our list of options and three did not use online filing software.

32. The results show that just four suppliers provided software used by 65% of our respondents, the largest having a 24% overall share of the market. Three further suppliers catered for a further 41%, leaving the balance spread between more than a dozen other providers.
33. Whilst the majority of our respondents were satisfied with their software provider, around 7% of users of third party products plan to change providers within the next two years. The main reasons given for the proposed switch were:
- Ease of use
 - Cost
 - Restructuring of own firm or provider has changed hands
 - Practice management issues
 - Poor support or problems with last year's software.
34. Only three respondents who deal with a few hundred returns between them were considering moving away from third party software to HMRC software.
35. Sixteen respondents, who had used the HMRC free product this year and between them deal with around 1,500 returns, think it is likely that they will switch to using third party software, citing additional functionality as the key reason.

E-filing software used for partnership tax returns

36. We again listed all of the software suppliers known to us in order to make electronic analysis easier. Only one respondent used software not on our list of options and a further four did not use partnership online filing software.
37. The results show that the same top four suppliers provided software used by 64% of our respondents, the largest having a 27% overall share of the market.
38. Three further suppliers catered for a further 25%, leaving the balance spread between more than six other providers.
39. 8% of agents who file partnership returns for clients plan to change their software within the next two years. The reasons given were the same as for personal returns, above.

E-filing software used for trust tax returns

40. We again listed all of the software suppliers known to us in order to make electronic analysis easier. No respondents used trust tax software not on our list of options, although several filed all their trust tax returns on paper.
41. The results show that the same four suppliers provided software used by 73% of our respondents, the largest having a 25% overall share of the market. This was a different provider to the lead supplier of personal and partnership tax return software used by our respondents.

42. Three further suppliers catered for a further 22%, leaving the balance spread between more than four other providers.
43. 7% of agents who file trust returns for clients plan to change their software within the next two years. The reasons given were predominantly
- Restructuring of own firm or provider changing hands
 - Practice management issues

Experience of e-filing compared with 2007 returns

44. We asked our members who had previous experience of e-filing whether they had fewer or more problems than last year, or whether they felt it was unchanged. Of the respondents with previous experience of e-filing, we are pleased to report that overall, 83% felt that their experience of e-filing this year was the same as or better than last year. Only 4% felt that they had experienced significantly more problems than last year, the remaining 13% having had just 'more' difficulties than last year.
45. We asked which of the e-filing problems we knew about had caused most serious inconvenience. The top four by quite some way were:
- Delays by HMRC in issuing new UTRs
 - Having to use 'workarounds' to deal with system inadequacies
 - Misleading design of 'tax due' screen, creating confusion about how much tax was due and payable by 31 January 2009.
 - Late withdrawal of agents' facility to obtain copies of clients' statements with payslips attached.
46. We were disappointed, but not surprised to have confirmed by this survey that such basic shortcomings in service had wasted so much of our members' time.
47. The complete list of problems is included as an appendix.

Which single improvement would encourage more e-filed returns in future years?

48. We decided that our question asking what improvement would encourage a greater number of e-filed returns should be open rather than offering a choice which could be biased. It was therefore useful to see four main themes emerge in response:
- Faster provision of UTRs
 - Fewer 'workarounds'
 - Faster system for processing agent authorisation
 - Faster receipt of activation codes.

HMRC alerts and guidance

49. 74% of our respondents had checked the HMRC website for alerts and other guidance about Self Assessment online filing.

50. Of these, 69% found it easy to access alerts and other guidance about online filing issues.
51. Of the areas used, the service availability and service issues pages had each been used by 31% and 25% respectively. The tax agents and advisers homepage had been used by 29% of respondents. As the survey allowed people to tick more than one box, these seemed to be disappointingly low considering the extent of the problems which had resulted in our members wasting time.
52. Of those who had used HMRC's guidance, 80% found it helpful. The 'What's new' page was referred to by several respondents as a regular source of information which they used. A number also mentioned the usefulness of RSS feeds.
53. The general comments made about the quality of HMRC guidance contained some important threads. One of the most important points raised in a number of different ways relates to users' ability to find information. A better search facility would make a big difference.
54. The information resource is being wasted if no one can find it.
55. The website needs to be updated more quickly. This was particularly so in relation to service issues, where users felt that more notice of downtime should have been given.
56. A number of people also commented on the amount of out of date information which is left on the HMRC website. This should be either removed or clearly labelled as superseded.

HMRC and third party software providers' services

57. We asked respondents their opinion of a number of other services provided by HMRC and the commercial software industry. These were the findings:
 - 65% of respondents who had used HMRC's online services helpdesk found it either excellent or good. The remaining 35% found it weak or poor. 19% of all respondents hadn't used it.
 - 26% of respondents who had used the special fast-track service for issue of UTRs found it either excellent or good. The remaining 74% found it weak or poor. 56% of all respondents hadn't used it.
 - 25% of respondents who had used the 'special arrangement for urgent agent authorisations (form 64-8) via fax, facilitated via Agent Dedicated Line service' found it either excellent or good. The remaining 75% found it weak or poor. 65% of all respondents hadn't used it.
 - 43% of respondents who had used the approved 'workarounds' published by HMRC found them either excellent or good. The remaining 57% found them weak or poor. 43% of all respondents hadn't used them.
 - 69% of respondents who had used the 'Reasonable excuse' claim form for reverting to paper filing found it either excellent or good. The remaining 31% found it weak or poor. 62% of all respondents hadn't used it.

- 84% of respondents who had used their software provider's telephone helpline or email support found it either excellent or good. The remaining 16% found it weak or poor. 17% of all respondents hadn't used it.
- 79% of respondents who had used their software provider's website found it either excellent or good. The remaining 21% found it weak or poor. 30% of all respondents hadn't used it.

Other improvements to online filing in general

58. We asked our respondents to give any other information or suggestions that they thought could be useful to the Working Together professional bodies in seeking improvements to online filing. They provided many useful ideas and we will be sharing these with HMRC. It is clear that one of the frustrations behind many of the comments was the difficulty our members had in getting a member of HMRC to take ownership of a problem.
59. The anonymity of online filing, coupled with call centres, has made it very difficult to resolve problems. This survey, like any other, gives many positive statistics, but these must not be used at the expense of highlighting the very many individual problem cases which our members bring to our attention each week.
60. The e-filing system is used to file many millions of tax returns. Our members deal with a large proportion of these, so many of the problem cases will be their clients. Unresolved problems which carry on for many months waste time and resource and a better system is needed to deal with these cases.

Working Together e-Group
15.3.09

Appendix

Number of respondents who had suffered serious inconvenience by each of the following known e-filing faults

Note. Respondents could tick more than one problem

	Number of respondents
Delays by HMRC in issuing new UTRs.	541
Having to use 'workarounds' to deal with system inadequacies.	474
Late withdrawal of agents' facility to obtain copies of clients' statements with payslips attached.	411
Misleading design of 'tax due' screen, creating confusion about how much tax was due and payable by 31 January 2009.	346
Delays by HMRC in updating systems to reflect tax returns submitted and tax due.	264
Clients inexplicably disappearing from agents' client lists.	229
Difficulties in viewing PDF versions of taxpayers' statements when using either HMRC's or third party software.	224
Difficulties in viewing agents' client lists.	219
Shortcomings in the quality of responses from the Online Services Helpdesk.	211
Getting 'timed out' when accessing taxpayer details online.	197
Failure by HMRC to process claims made outside tax returns to reduce payments on account.	189
Delays by HMRC's Online Service Helpdesk in answering phone calls.	174
Downtime of HMRC's systems.	139
Failure by Online Services Helpdesk staff to return calls when they had agreed to do so.	93
Difficulties in viewing PDF versions of taxpayers' returns when using HMRC's software.	84
Activation PIN 'timed out', as not received/used before its expiry deadline	64
Other	165

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 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 C
1999 as TAXGUIDE 4/99, see <http://www.icaew.co.uk/index.cfm?route=128518>.