



HMRC PERFORMANCE AGAINST THE STANDARDS IN THE CHARTER 2020/21

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ICAEW welcomes the opportunity to contribute to the Charter Stakeholder Group's evaluation of the extent to which HMRC has demonstrated the standards of behaviour and values included in the **HMRC Charter**.

HMRC's performance against the standards in the Charter reflects the limited resources available to it, with the result that has struggled to provide a satisfactory level of operational business as usual performance let alone update its systems to improve online services for taxpayers and agents.

HMRC has rightly been commended for what it has achieved in delivering the government's COVID-19 financial support schemes alongside many policy changes and easements, but this has come at the expense of operational business as usual performance and the day-to-day experience of taxpayers and agents dealing with the tax system has deteriorated further during the year.

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OVERALL ASSESSMENT

1. HMRC's performance against the standards in the Charter reflects the limited resources available to it, with the result that has struggled to provide a satisfactory level of operational business as usual performance let alone update its systems to improve online services for taxpayers and agents.
2. The government has provided some funding, but substantial improvement is likely to take the ten years envisaged in the tax administration strategy. It is disappointing that some new services such as the capital gains on UK residential property service and the trust registration service have caused so many additional problems; the former service is not available from the personal tax account and has not been linked to self assessment. As work continues to consider how third parties might also feed information into the tax system, consolidation of HMRC's existing services should take priority over new standalone tax information systems.
3. HMRC has rightly been commended for what it has achieved in delivering the government's COVID-19 financial support schemes alongside many policy changes and easements, but this has come at the expense of operational business as usual performance and the day-to-day experience of taxpayers and agents dealing with the tax system has deteriorated further during the year.

GETTING THINGS RIGHT

4. HMRC has considerably more work to do to live up to the Charter standard to get things right.
5. HMRC contact centre staff are, for the most part, extremely helpful and courteous but are often let down by poor systems and lack of training, especially on technical matters where call-backs are received erratically.
6. There are too many examples of long-standing systems problems which have not been resolved. Among these are numerous issues with PAYE real time information (RTI) data processing (evidenced inter alia by the number of forms P800 issued being double what it was prior to the introduction of RTI which was supposed to reduce numbers to less than half), tax codes which are not based on the latest information held by HMRC or are otherwise incorrect, self assessment calculation issues (class 2 national insurance contributions, marriage allowance, P800 and PA302 calculations issued to those in self assessment) caused by a structural problem with income tax and national insurance records being held in two different systems.
7. One-to-many letters have been issued in lower numbers during 2020/21 but cause great concern and unnecessary work for agents where they are not correctly targeted. Examples of where HMRC has not got these right have included:
 - Letters to VAT registered traders who are trading below the threshold or have agreed a digital exclusion exemption, which incorrectly tell them that they are required to sign up to MTD for VAT
 - Self assessment repayment compliance check letters. HMRC's explanation that these letters are well targeted at fraud cases does not reflect the experience of many ICAEW members in practice. The response form includes questions about agents' fees which do not appear to be relevant to the checks being carried out.

MAKING THINGS EASY

8. HMRC has considerably more work to do to live up to the Charter standard to make things easy, in particular in relation to online services.
9. Some new services, such as the service that enables employees working from home to claim the £6 per week allowance and the self-employment income support scheme grant claims service, have lived up to the standard that one might expect. Other new services, such as the capital gains on UK residential property service and the trust registration service, have not.
10. In the case of the requirement to report capital gains on UK residential property there is still a need for HMRC to do much more to raise taxpayer awareness.
11. HMRC has allocated additional resource to guidance, including setting up a guidance strategy forum; this has been recognised by the Office of Tax Simplification, while acknowledging that more needs to be done. This promising area of work will have an important role in making things easier.

BEING RESPONSIVE

12. Given the significant deterioration in HMRC's performance in dealing with phone calls, webchat and correspondence in 2020/21, we consider that this Charter standard has not been met.
13. The reasons for this are well understood and HMRC has rightly been commended for what it has achieved in delivering the government's COVID-19 financial support schemes alongside many policy changes and easements.
14. However, it needs to be recognised that this has come at the expense of operational performance which has still not been restored even to the pre-pandemic levels. The Government has set out a timetable for full reopening of the UK and a return to normal life, and it is very concerning that HMRC has not been able to do the same. Taxpayers need a commitment from HMRC about when service levels (and helpline hours) will return to target standards, and in particular when priority access might be restored to the agent dedicated line. The removal of priority access for agents continues to have a very serious impact on the operational efficiency of ICAEW member firms. It is difficult to see how HMRC will restore operational performance given that its main helplines can now be answered by staff working from home (which was not possible at the start of the pandemic) as many staff are likely to be allocated to COVID-19 support schemes for some time and routine tax compliance and debt collection activity has yet to resume fully.
15. The delays have been across most HMRC services but have affected, in particular, registrations for VAT and self-assessment and processing of corporation tax loss carry-backs and refunds, self-assessment tax returns and refunds, agent authorisations and s690 PAYE determinations.
16. One particular area where HMRC could have been more responsive was around the self-assessment deadline where HMRC resisted any easement on late filing penalties until 25 January 2021 and the easement around late payment penalties was not announced until 19 February 2021. Despite there being a pandemic, HMRC appeared reluctant to accept that firms were under very considerable pressure assisting clients with claiming COVID-19 financial support and other measures such as preparing for the VAT domestic reverse charge and the extension of off-payroll working to the private sector alongside dealing with self-assessment returns. If the easement could have been announced even a week earlier, it could have made a significant difference.

TREATING YOU FAIRLY

17. HMRC has generally met the Charter standard for treating taxpayers fairly.
18. However, disclosure certificates are often included with one-to-many compliance letters. In many cases there is no legal requirement to complete a disclosure certificate and, in the interests of fairness, this practice should cease.
19. ICAEW has received reports from members of HMRC compliance officers requesting information that the agent considers is not reasonably required for the purposes of the compliance check, but not being prepared to offer an adequate explanation as to why HMRC believes that the information is reasonably required.

BEING AWARE OF YOUR PERSONAL SITUATION

20. When alerted, HMRC has generally been sensitive to taxpayers' personal situations and has considered the impact of the COVID-19 pandemic on taxpayers, meeting the Charter standard.
21. This has included suspending compliance checks and debt collection activity during the peaks of the pandemic.
22. HMRC has taken some important steps towards improving the letters it sends to taxpayers including incorporating messages about where to obtain extra support.
23. HMRC's use of third-party debt collection agencies to add capacity, particularly during summer 2020, attracted criticism as the agencies do not seem to apply the same standard of awareness of taxpayers' circumstances when contacting taxpayers.

RECOGNISING THAT SOMEONE CAN REPRESENT YOU

24. HMRC has generally recognised that taxpayers can be represented by a third party.
25. However, there are instances where the gaps in online services for agents and cumbersome agent authorisation processes mean that, in practice, it is often made very difficult to be represented by a third party.
26. There are many services available to taxpayers through their personal and business tax accounts that are not available to agents. ICAEW recognises that for new services such as MTD for VAT, HMRC has made online services available to agents except where there is a security-related reason preventing this; however, some of the services have been rolled out to agents later than they have been made available to taxpayers (eg, VAT return and payment history).
27. There are also some aspects of a customer's tax affairs that an agent only has access to if it is authorised by the customer in a particular manner. For example, there are four methods of putting an authorisation into the Employer Business Service for PAYE matters or the Construction Industry Scheme system. Each method provides the agent with different levels of access which means that it may not be able to access information it requires if the wrong method of authorisation is used. HMRC should ensure that it achieves greater consistency to avoid such unexpected outcomes.
28. The 'digital handshake' authorisation processes introduced for the trust registration service and the reporting of capital gains on UK residential property (and to a lesser extent the MTD for VAT agent authorisation service) have caused many problems which are still not resolved (eg, agents acting for personal representatives cannot be authorised to use the online system for reporting capital gains on UK residential property).

29. ICAEW receives occasional reports of HMRC contact centre staff pushing back on requests made by agents on the basis that the information or service is available to the client in their digital tax account.
30. ICAEW understands why, given the time constraints, it was not possible to allow agents to claim self-employment income support scheme grants on behalf of their clients, but it is very disappointing that more has not been done to give agents access to details of the amount of grant claimed, to assist with the preparation of self assessment tax returns.

KEEPING YOUR DATA SECURE

31. HMRC has generally met the standard of keeping data secure.
32. However, ICAEW is aware of one major data breach where, in March 2021, 18,946 agent copies of late filing penalty notices (SA326Ds) were sent to the wrong agents.
33. ICAEW also understands that HMRC's view is that agent authorisation via a paper 64-8 is not compliant with GDPR and this has yet to be rectified.

MUTUAL RESPECT

34. HMRC staff generally perform well in demonstrating appropriate respect for taxpayers.