

The Tax Administration Framework Review – Creating innovative change through new legislative pilots¹

Response by the Chartered Institute of Taxation

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 The CIOT is supportive in principle of the idea of HMRC developing an innovative approach to the development of new tax policy and legislation and trialling new processes. However, we are concerned that the ‘sandbox’ piloting approach described in the consultation document could give rise to problems, particularly if it were to be run as a parallel tax or penalty system rather than treated as a trial involving a small number of taxpayers (perhaps akin to a clinical research trial).
- 1.3 It is essential that existing taxpayer safeguards are protected within the sandbox environment. No-one taking part in a pilot should end up at a disadvantage compared to taxpayers not taking part. In our view, participation in a pilot should be voluntary, no-one should end up in a worse position than if they had not participated in it, and any adverse tax, interest and penalty position should be promptly corrected by HMRC. Also, participants (and their advisers) should be compensated for any costs incurred as a result of them being in the pilot.
- 1.4 If the results of a pilot indicate to HMRC that legislative change is desirable in a particular area of the tax code, that change should be consulted on through the usual consultation process, and thereafter by Parliament during the legislative process. Equally, sandbox testing could be undertaken as part of the consultation process itself. But a sandbox should not be a short cut to enacting or introducing new rules without any external scrutiny, nor should it remove the need for proper piloting where there is a large scale system change, such as Making Tax Digital (MTD). Its value potentially lies in exposing issues in the early stages of

¹ <https://www.gov.uk/government/consultations/the-tax-administration-framework-review-creating-innovative-change-through-new-legislative-pilots/the-tax-administration-framework-review-creating-innovative-change-through-new-legislative-pilots>

policy development and thereby helping HMRC to assess whether a policy idea is workable and likely to have the desired effect before it becomes ‘baked in’ and consequently harder to deviate from.

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

3 Introduction

- 3.1 HMRC’s consultation document explores a novel testing approach using a ‘sandbox’ pilot model which would give HMRC the legislative ability to gather the evidence needed to make informed, innovative policy changes. Sandbox testing is a way used by various organisations already to test and refine new ideas, by piloting them in restricted environments before rolling them out more widely. HMRC are seeking feedback on the challenges and benefits of using sandbox testing as a legislative piloting approach before considering whether to implement it.
- 3.2 Sandbox testing is generally used in two different ways – ‘regulatory sandboxes’ and ‘IT sandboxes’ – but the consultation document acknowledges that neither of these two established testing models will be appropriate for exploring innovation in tax legislation. This is why HMRC say that they are proposing a new sandbox piloting approach which is defined in the consultation document as *‘a temporary environment where HMRC could conduct tests of new policy and processes which suspend, implement, ease and/or harmonise legal obligations. This could be for a distinct group of people or sector for a defined period of time and would be accompanied by appropriate safeguards and guidance.’* The outcomes would then be evaluated to inform future decisions on adopting the change permanently.
- 3.3 The CIOT’s stated objectives for the tax system relevant to this consultation include:
 - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.

- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

4 Question 1: What benefits and challenges do you think piloting potential policy and process changes in this way would bring?

4.1 HMRC have identified some opportunities, challenges and risks of the proposed legislative sandbox approach in paragraph 4.3 of the consultation document. We consider these and some others we have identified.

4.2 Taking the opportunities first, we can see the benefit of exploring solutions to policy challenges in a range of different pilots (first bullet point under ‘opportunities’ in paragraph 4.3). Even when the full consultation process is followed (see later), it can be difficult to predict taxpayer behaviour, cost and revenue impacts, and robustness and scalability of processes, so sandbox piloting would in principle help address these uncertainties at an early stage of policy development. This would be beneficial since it should lead to better policy outcomes. If we take MTD as an example, the value would have been in using sandboxing to answer questions such as whether digital record keeping and quarterly reporting actually make a difference to the accuracy of taxpayers’ tax returns or whether there might have been other alternatives that would achieve the same result (eg better prompts and nudges in the online SA system). Once HMRC had decided on digital record keeping and quarterly reporting it becomes more difficult to use a sandbox – instead you are faced with having to build real solutions to the identified policy which is a much bigger investment of time and money from agents, software developers and indeed HMRC.

4.3 It is not clear how pilots could be done simultaneously (see end of first bullet point), particularly if they involve the same, or some of the same, taxpayer(s). If we have understood this point correctly, it sounds logistically challenging and potentially a flawed approach because there would be a risk that the results of one pilot could be skewed by the results of another. Similarly, the results may be influenced by the impact of external factors either at national level (for example a recession or another pandemic) or specifically affecting a participant (loss of a key customer, ill health etc). The testing must be robust enough to enable the results to be effectively analysed so that any conclusions drawn stand up to scrutiny, particularly if they will then potentially lead to a change in the law which will apply to all taxpayers.

4.4 With regard to the second bullet point (under ‘opportunities’ in paragraph 4.3), we agree that the approach may in principle assist with the design of more effective policy and processes leading to better outcomes for taxpayers, intermediaries and HMRC. However, it is difficult to comment about this further because of the relative lack of detail provided in the consultation document. We would also urge HMRC not to be tempted to use sandboxes as a short cut but to continue to consult with stakeholders, not only through the formal consultation framework ideally starting at Stage 1 or earlier, but also informally in the early stages of the formation and development of new ideas, where appropriate. Equally sandbox piloting could be undertaken as part of the consultation process itself. Continued early engagement would be key to making sandboxing work. It could highlight potential issues so that sandboxing could test those and it could also increase the

likelihood of the agent and business community engaging with the process. In our experience, early consultation generally leads to better outcomes.

- 4.5 Sandboxing does not remove the need for proper piloting where there is a large scale system change, for example MTD. A sandbox to prove the concept would not obviate the need for detailed user testing of the actual software and processes put in place once change had been agreed.
- 4.6 It makes sense to contain the test to a bespoke group before wider roll out (third bullet point under ‘opportunities’ in paragraph 4.3). However, we consider that HMRC should ensure that sufficient taxpayers are involved in each sandbox so that conclusions may reasonably be drawn from the findings – too small a sample may mean the results are not reliable.
- 4.7 The opportunity for reduced administrative burdens for participants (fourth bullet point under ‘opportunities’ in paragraph 4.3) is welcome but would perhaps depend on the precise nature of the testing being carried out and the ability of HMRC’s systems to retain and reuse the data in a potentially different (non-testing / live) environment, with the taxpayer’s agreement.
- 4.8 Turning to the challenges and risks of the approach, we agree that selection methods for participation in pilots may not be representative (first bullet point under ‘challenges and risks’ in paragraph 4.3), which would inevitably produce unreliable results. Participation will need to be representative of the general taxpayer population – unrepresented taxpayers/represented by small agent/represented by large agent - or the population which the proposed policy is likely to affect, as there are likely to be different issues for each. It is difficult to see how this challenge can be overcome, particularly with voluntary participation. It may not be possible for HMRC to get sufficient voluntary participation from taxpayers with the specific characteristics needed for a particular pilot. We would however strongly object to making participation in pilots compulsory. In our view this would contravene HMRC’s Charter² standards, particularly ‘making things easy’, ‘treating taxpayers fairly’ and ‘being aware of each taxpayer’s personal situation’. It would risk undermining confidence and trust in HMRC to require taxpayers to adopt processes and face obligations that have not received Parliamentary scrutiny.
- 4.9 HMRC recognise that there may be costs associated with participation in a pilot and for HMRC in running a pilot (second bullet point under ‘challenges and risks’ in paragraph 4.3). But the consultation document is silent about who will pay any financial costs incurred by participants. If a participant is represented by an agent, their agent is likely also to incur some costs by having their client participate in a pilot. There is an argument that HMRC should contribute to costs incurred by taxpayers and their agents. After all, the purpose of the sandbox testing approach is to improve the tax system for the benefit of HMRC and the wider taxpayer population, so it would not be reasonable for participants to suffer financially as a result of taking part. Any costs not reimbursed should be tax deductible.
- 4.10 The third bullet point (under ‘challenges and risks’ in paragraph 4.3) highlights the challenge that taxpayers in a pilot could be subject to different rules to those not in the pilot. This raises a number of issues which have the potential to significantly undermine public trust and confidence in the tax system and in HMRC, as well as in the sandbox approach itself:
 - a. Participation in a sandbox should not change a person’s tax liability or financial position. The consultation document does not mention this, but HMRC have assured us in discussions that it is not

² <https://www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter>

the intention that participants within a pilot would have different tax liabilities. While participants may experience different tax administration processes, it is HMRC's intention that their tax liabilities will remain the same as if they had not taken part in the pilot. In our view, it is essential that this is the case, and that this is made clear to those participating.

- b. Whilst we have HMRC's assurance that participation in a pilot would not affect a person's tax liability, it is currently unclear whether it might affect penalties and interest and could also perhaps affect the timing of tax filings and payments, and so still have a financial impact on the participant.
- c. It is not clear whether it is HMRC's intention to apply the different rules in the pilot on a wholly non-statutory basis, or whether it is the intention to put the rules into legislation, with all the statutory safeguards that come with that. If the former, this would potentially place participants at a disadvantage to taxpayers who are not in the pilot – for example, will existing statutory safeguards, such as the right to challenge a HMRC decision (eg a penalty), request a statutory review and appeal to the Tax Tribunal apply in a non-statutory pilot environment? It is essential that access to justice is maintained for those taxpayers participating in a pilot.
- d. Participants should not be in a worse position if they are in a pilot. Likewise, those outside the pilot may be aggrieved if they perceive those in the pilot are getting favourable treatment, if that were to be the case. In principle treating some taxpayers differently to others undermines HMRC's Charter standard of 'treating you fairly', and HMRC would need to satisfy themselves that their processes for including or excluding participants were consistent with this requirement.
- e. Prior to joining, HMRC need to explain the rules that will apply in the pilot so that taxpayers and their advisers (if they have one) can make an informed decision about whether to volunteer to participate or not. Participants need to be able to understand the different rules that will apply to them in the pilot.
- f. Where a potential participant is represented by an agent, the agent may not support their client participating in the pilot (perhaps due to the costs and time involved or being unconvinced of its benefit) so it could lead to client management issues if the client wishes to take part against their agent's advice. This problem would be exacerbated if participation was not voluntary. In the worst case scenario, it could lead to the agent ceasing to act leaving the client unsupported.
- g. We recommend that HMRC explore whether it would be feasible to use 'dummy' data as a means of testing policy and processes within the sandbox environment (i.e akin to the way sandboxes are used to test potential IT solutions). This would avoid the need to use live taxpayer data, and hence reduce the challenges that come with that.

4.11 We agree that intermediaries, such as tax agents and software providers, may face challenges in supporting clients who take part in a pilot (fourth bullet point under 'challenges and risks' in paragraph 4.3). Time and costs would need to be spent training staff in the process being piloted so that they are properly equipped to support and advise clients taking part. Internal policies (eg review processes) and guidance will need to be written specifically for the piloted process. The time and costs spent managing clients in the pilot may be greater than if they were not in the pilot (eg the piloted process may be longer or more complex). Software may need to be written or re-written for use in the pilot. One agent may be exposed to multiple sandboxes at the same time. It is very difficult to quantify the costs that might be involved, but potentially they could be considerable.

- 4.12 HMRC should build a sensible business case for running a pilot which identifies wider benefits if it is successful. Before something is approved for piloting it would be advisable for HMRC to undertake a cost / benefit analysis to ascertain the likely costs for all those affected by it compared to the predicted benefits (immediate and longer term). HMRC would need to draw up some guidelines to help them assess whether a pilot should be approved or not and seek feedback from stakeholders who will potentially be affected (such as the Administrative Burdens Advisory Board (ABAB), representative bodies from the accountancy and tax profession, and software providers).

5 Question 2: What safeguards would you like to see in the operation of pilots conducted within the proposed approach?

- 5.1 The consultation document only briefly refers to safeguards, saying they would include time limits, guidance and ensuring the relevant support is available (paragraph 4.6). As noted above, we would be concerned if people taking part in the pilot did not have access to the same statutory safeguards (such as appeal rights) as taxpayers not taking part in the pilot.
- 5.2 The consultation document says that the new piloting approach would '*allow the creation of temporary legislation to suspend the usual tax administration rules for an identified section of the taxpayer population*'. It is not clear how that temporary legislation would be developed and enacted. It will need to respect existing taxpayer safeguards as well as having some process of oversight.
- 5.3 We agree that guidance should be provided by HMRC so that someone taking part in a pilot can understand the rules that will apply to them in the testing environment, what they are required to do to comply with them and the consequences of non-compliance. HMRC should consider providing the guidance directly to these people (and their advisers) rather than it being published on gov.uk; otherwise it could cause confusion if two different versions of guidance – one for those in the pilot and one for everyone else - were publicly available. People are also more likely to read guidance if it is sent to them directly. It should be written in an easy-to-understand way (eg using non-technical language) and comply with accessibility requirements as some participants may have protected characteristics and / or be digitally excluded.
- 5.4 The exact conditions under which a person signs up to take part in a pilot need to be clearly communicated to potential participants (and their advisers), for example is it intended by HMRC that it will be a legally binding agreement between them and the participant? Will each party have to consent to comply with certain terms and conditions, for example will participants have to commit to remain in the pilot for a prescribed length of time? What will be the consequences of either party breaching the terms and conditions?
- 5.5 In terms of the help that should be available once a pilot is underway, HMRC will need to provide suitable, prompt and responsive support to those taking part. This could be via a dedicated telephone line, dedicated live webchat and / or dedicated email address. The support service must be adequately resourced and overseen and have clear service levels so that those in the pilot know they will be adequately supported, and not left 'out in the cold' while other taxpayers outside the pilot continue with their normal obligations. It should be clearly communicated to all participants and their advisers, so they know what to do if they have a question or encounter any problems. Any uncertainties or misunderstandings should be swiftly addressed and any problems quickly resolved. Participants who might need extra help (due to health conditions or other personal circumstances, such as educational or language abilities) will need to be individually identified. HMRC's Enhanced Support service should be available to provide extra support to these people. HMRC are

legally required to make reasonable adjustments (Public Sector Equality Duty) so this would need to be factored into the pilot and the evaluation of its results. As a general point, we are concerned that HMRC may not have sufficient resources to implement and oversee a pilot project given the current problems they are facing in delivering an acceptable level of normal service to taxpayers.

- 5.6 The MTD pilot shows the potential issues that can arise in supporting participants. HMRC are intensively handholding early participants and that has a repressive effect on the number of people that they can let in which means that it is not really effective as a pilot. This approach might work better in a sandbox situation where the aim would be to evaluate whether a certain approach is the right one, provided there is sufficient time once a final decision is taken, to work through the other issues that need testing (eg from an agent's point of view what internal processes do they need to change, what support do their clients need etc).
- 5.7 If the results of a pilot indicate to HMRC that legislative change is desirable in a particular area of the tax code, that change should then be consulted on through the usual consultation process, and thereafter scrutinised by Parliament during the legislative process. A sandbox should not be a short cut to enacting new rules without any external scrutiny. It should not be the case that just because HMRC consider the sandbox is effective then a change automatically becomes law. Similarly, where the consultation process identifies that testing might be beneficial in determining whether a policy should be progressed, a sandbox could facilitate that, without having to shelve the policy entirely, or go ahead 'hoping for the best'.
- 5.8 The consultation document says that HMRC want to explore where it would be appropriate to randomly select participants or to seek volunteers to ensure an accurate reflection of views and experiences (paragraph 4.7). We recognise there are pros and cons with both these approaches. We favour voluntary participation, but sourcing a sufficient number of volunteers with the desired range of views and experiences could be challenging. HMRC could expend a lot of time and resources trying to find enough suitable people to take part to ensure that the pilot is effective and will produce results that stand up to scrutiny. We would suggest early engagement with the agent community would be helpful in sourcing suitable volunteers. If, on the other hand, HMRC were to randomly select participants, some may not be suitable candidates (due to their personal circumstances or behaviour pattern – for example, the pilot may be looking into late payment penalties so randomly selecting taxpayers who have always paid their tax on time may not be helpful). Some of them may not wish to take part. As noted above, we do not agree with making participation in pilots compulsory as we think it would contravene HMRC's Charter.

6 Question 3: In addition to the 'showcase space' outlined at paragraph 4.4., are there any other ways you would want to engage in the development of new policy, processes, and legislation?

- 6.1 We would like more information about what a 'showcase space' might look like before being able to comment in any detail. In principle however, it would potentially be beneficial to provide a forum for all interested parties to share experiences and provide feedback. It will be important to ensure that taxpayer confidentiality is respected.
- 6.2 It is also important that HMRC encourage proper robust debate on how well something is working, particularly with more experienced stakeholders. The value of a 'showcase space' or similar is low if HMRC only use it to tell people how they think the pilot is going without encouraging real feedback. The CIOT has recently been involved in some of the MTD co-creation meetings which have been a good way of engaging on policy. Putting

a mix of people from HMRC and agents/software houses into structured groups is very effective at getting to the heart of the issues. HMRC could look at this sort of approach for sandboxes.

- 6.3 It is not clear how an idea for a pilot will be considered or developed, and whether input from external stakeholders will be sought and, if so, at what stage of the development process. If the first taxpayers and their representative hear about a pilot is when volunteers are sought or people are mandated into it, that is, we suggest, too late. We would expect external stakeholders to be consulted early on in the process, whether informally or through a formal consultation process. The more transparency the better – consult early and then be clear about how a pilot is going and what the ultimate decision is and why. That will encourage people to feel that they are making a difference by engaging in the process. If external stakeholders are ‘on board’, then they would be able to help publicise the pilot and source volunteers from their membership/client base.
- 6.4 HMRC should continue their existing engagement with stakeholders and interested parties in the development of new policy, processes and legislation. It is also important that HMRC trial new digital systems and interfaces and ensure there is sufficient time to rectify issues before they go live. In this regard, we refer to what we consider to be the minimum requirements for HMRC’s digital forms and minimum standards for the introduction of new HMRC digital systems which we set out in our response to HMRC’s recent consultation document ‘Simplifying and modernising HMRC’s Income Tax services the through the tax administration framework’³. These can be found at Appendix 1 and Appendix 2 to this submission.

7 Question 4: What areas of HMRC activity do you think would benefit from this type of approach?

- 7.1 It is difficult for us to identify any areas which would benefit from the sandbox approach in preference to existing processes, particularly given the few examples in the discussion document, the uncertainty around how to source suitable participants and the costs involved. We found it quite difficult to envisage how either of the two examples provided in the document would translate into a pilot situation without HMRC providing more information. It is concerning that HMRC do not appear to be able to give a good example of a legislative sandbox.
- 7.2 The first example concerns pre-population of certain data into tax returns and mentions that filing requirements could be suspended for a sample of taxpayers. It is unclear why a sandbox would be needed to test pre-population of data. However, if HMRC think that would be suitable approach, any pilot involving pre-population of data should also test how taxpayers can correct inaccurate data. If the pilot revealed that some of the data was unavailable or inaccurate, consideration should also be given to allowing participants to exit the pilot. The second example concerns testing changes to late filing penalties which is an area of the law that has recently undergone significant change following extensive consultation, so it seems odd to use this as an example.
- 7.3 Land-pooling rules might be a possible candidate for the legislative sandbox approach. There are a number of tax issues with land-pooling which make it very difficult to implement in practice. These were explored in the

³ See Appendices 1 & 2 - <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/19db53c3-59c7-4e87-a9c0-c8d49a733015/230607%20Simplifying%20and%20modernising%20HMRCs%20Income%20Tax%20services%20through%20the%20tax%20administration%20framework%20-%20CIOT%20response.pdf>

Office for Tax Simplification’s second Capital Gains Tax report⁴. Various legislative solutions could be trialled with one or more landowner groups on a voluntary basis. We would be happy to discuss the possibility of this being a candidate for legislative sandboxing in more detail with HMRC.

8 Question 5: What participant support and oversight would you like to see?

8.1 We covered this earlier in our response, particularly in our response to Question 2 – funding of participant (and adviser) costs, provision of guidance, readily available help and support from HMRC throughout, targeted support to any participants who need extra support, transparency of the results and external scrutiny via the normal consultation process of any changes that are introduced as a result of a pilot.

9 Acknowledgement of submission

9.1 We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

17 July 2023

⁴ See Recommendation 14:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987994/Capital_Gains_Tax_stage_2_report_-_May_2021.pdf

Appendix 1

Minimum requirements for HMRC digital forms

We set out below what we believe are the minimum standards which should be applied by HMRC when developing new digital forms to be used by taxpayers and agents. In this regard we mean forms that have to be completed and submitted online, rather than forms which are available online, but are printed off and submitted by post.

Development of the form

1. Consultation and testing with a range of potential users of the form.

New digital forms, and changes to existing ones, should be the subject of consultation and testing prior to their launch, to ensure they work as envisaged, meet the requirements set out below, and fulfil the policy objective. This should be carried out with represented and unrepresented taxpayers, and agents of different sizes. A post-implementation review should be undertaken to assess whether it has met its policy objectives and identify any deficiencies or improvements that can be made.

2. Government Gateway status

There should be a clear policy, based on sensible rationale, as to whether a form is in front of or behind the Government Gateway. That policy should be applied consistently.

3. Allow time for familiarisation.

Sufficient time should be given to allow taxpayers and their agents to adapt to any new processes, particularly for forms which require regular completion, or for users who complete similar forms regularly.

Completion of the form

4. A list of information required to complete the form.

This will enable the user to easily identify all the information needed to complete the form, assemble it in advance, and prepare to complete it themselves or take advice. This is particularly important if it's not possible to progress through the form without fully completing the previous page. This will ensure that the form can be completed in an efficient manner, in one go.

5. Clear instructions for completing the form.

There should be clear instructions on how to complete all the boxes on the form, particularly if it is necessary to complete fields with special characters, or enter 'nil' or '0' rather than leave blank, and how to digitally 'sign' the form. Links to relevant guidance should be provided throughout the form.

6. The ability to save and return to a part-completed form.

This is necessary in case information requirements or other work prevents completion of the form in one go, or the form 'times out' after a period of inactivity, or the form needs to be checked by another party during the process of completion.

7. The ability to amend an entry.

An easy process for amending an entry that is, prior to submitting, found to be inaccurate, will reduce the scope for error and improve the taxpayer experience.

8. The ability to upload attachments or provide additional explanations.

Some processes require the provision of supporting documentation or explanations. It should be possible to do this as part of the process of completing the digital form, through the inclusion of attachments or ‘white space’ explanations. This will enable the complete package to be submitted to HMRC in one go, speeding up the process and reducing the risk of documentation going astray.

9. Sufficient character spaces to meet the requirements of the form.

The form should provide sufficient space to provide all necessary information and explanations. Fields which require explanations – eg of behaviours or the interpretation of technical points – should be large enough to accommodate them in full.

10. The ability for an authorised agent to complete the form on behalf of the taxpayer.

Not only is this a requirement of the HMRC Charter (‘Recognising that someone can represent you’), but it will also facilitate more accurate and timely completion of forms for represented taxpayers. This should include the ability for the form to be accessed by more than one individual within a business or an agent’s firm, to allow for access to be delegated. HMRC’s systems should be able to efficiently and securely identify agent-taxpayer relationships, without them having to be resubmitted.

11. The ability to save a completed form.

This will enable the form to be reviewed, to ensure it is correct and complete, prior to its submission, such as a client reviewing and authorising what their agent has input, or to allow for a manager etc to review the work of a more junior member of staff.

12. The ability to print a completed form.

If it is not possible for a represented taxpayer to view the completed form online prior to submission, the ability to print it in full will ensure that the agent can obtain approval for its submission from the client. This is necessary because agents cannot normally submit information to HMRC without the client’s prior approval. For unrepresented taxpayers, being able to print a form means the taxpayer can check the form off-screen, which is often easier and can help spot mistakes.

13. The ability for the digital form to correctly compute the tax due.

Tax Returns and other forms which lead to a tax calculation must be able to cope with all tax computations. It should not be the ‘norm’ for there to be a list of exceptions where computers cannot do the calculations accurately, causing taxpayers/agents to have to print and post the form to HMRC.

Submission of the form

14. Clear messaging to explain what submission of the form means.

Therefore, the person submitting the form is aware of the consequences of what they are certifying, what the next steps will be, and the consequences of incorrect / false declarations.

15. The ability to capture a copy of the submitted form.

This ensures that the taxpayer (and, where appropriate, their agent) has a record of what was finally submitted – either by printing it or downloading and saving it. This might be important, for example, if the client requests a copy of the submitted form for their records, or in case of a subsequent dispute with HMRC.

16. A digital receipt or equivalent proof of submission.

This evidences that the form has been submitted to, and received by, HMRC, and should record the date and time of submission, along with a submission reference number.

Necessary alternatives

17. Non-digital versions of forms for those who cannot interact digitally or find it difficult to do so.

All digital forms should have a non-digital equivalent, to ensure those who cannot go online, or have difficulty doing so, are not disadvantaged when interacting with HMRC. These should be easy to obtain and include appropriate guidance to aid their completion. This will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly'.

18. Accessible versions of digital forms for those with particular needs.

Digital forms should be accessible for those who can go online, but who have particular needs eg those who use screen readers. Again, this will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly', as well as complying with the Equality Act and meeting Web Content Accessibility Guidelines.

Appendix 2

Minimum standards for the introduction of new HMRC digital systems

We set out below what we believe are the minimum standards which should be applied by HMRC when developing new digital systems to be used by taxpayers and agents. In this regard we mean digital systems and processes by which taxpayers and agents interact with HMRC to fulfil their tax obligations (examples include the VAT registration service, the Trust Registration Service, RTI reporting, the property reporting service, Making Tax Digital etc).

1. Policy development should consider the extent of digitalisation required to deliver it.

Changes to the tax system invariably require the introduction of new, or changes to existing, digital systems. When developing tax policy, the consultation process should include consideration of how the policy will be delivered, a realistic evaluation of how long new systems will take to put in place, and the costs of development and ongoing compliance.

2. Consultation and testing of the digital system before its use becomes mandatory.

New digital systems should be the subject of consultation and full end-to-end pilot testing process prior to their use becoming mandatory. Participation in testing should be voluntary, and encompass a variety of circumstances, including represented and unrepresented taxpayers, and both large and smaller agents. Systems should only become mandatory once this has taken place and any glitches rectified, so as to ensure they work as envisaged, meet the requirements set out below, and fulfil the policy objective.

3. The new digital system has at least the same level of functionality as the system it replaces.

HMRC's ambition is to be 'the most digitally advanced tax authority in the world'. New systems should deliver against that ambition and introduce additional, improved functionality without removing that which exists already. Where the new system requires the completion of digital forms, we have separately set out the minimum requirements for such forms.

4. Interaction with existing HMRC systems is maximised.

New digital systems should complement HMRC's existing IT infrastructure, pulling through information from existing systems, and seamlessly interacting with those systems. This will improve the overall 'customer experience', as well as improving accuracy and reducing costs all round.

5. Guidance is available on how to use the new digital system before it goes live.

This will enable its users to make the necessary preparatory steps to their procedures and in-house IT capabilities so they can use the new system effectively and it can deliver the intended benefits and functionality. This should include step-by-step guidance and up-to-date screenshots or YouTube videos to aid understanding. Those testing the system should be able to access the draft guidance to ensure it supports them through the process.

6. The digital system should keep pace with legislative and policy changes.

The digital system should be regularly reviewed and updated so that it reflects changes to legislative and policy requirements, so that its users remain compliant.

7. The new digital system should respect existing agent authorisations, and that a taxpayer may use different agents for different taxes / obligations.

HMRC's Charter promises to 'respect your wish to have someone else deal with us on your behalf', which might include multiple agents for various taxes / obligations. Where that wish has already been granted for a particular area of tax, it should not be necessary to repeat that authorisation as a result of the introduction of a new digital system.

8. Agent access should keep pace with that for taxpayers themselves.

One of the HMRC Charter promises is: 'Recognising that someone can represent you', and HMRC's vision is that agents should have access from the outset of new systems. This will ensure that taxpayers who have instructed an agent to deal with their affairs (a significant majority in some areas) do not miss out on the benefits of digitalisation, or are prevented from complying with their obligations.

9. Agent functionality to mirror that for taxpayers themselves.

In addition to the Charter promise of 'Recognising that someone can represent you', HMRC's vision is for agents to be able to see and do what their clients can. Adherence to these undertakings will ensure that taxpayers who have instructed an agent to deal with their affairs (again, a significant majority in some areas) can do so effectively, thus promoting compliance and reducing costs.

10. HMRC staff are adequately trained and available to provide on-the-spot assistance.

Even if all the above criteria are met, taxpayers and agents will need support from HMRC, whether to use the particular service (in which case a dedicated helpline should be considered), resolve glitches in the system, or those who simply need help to 'go digital'. HMRC must provide easily accessible and prompt support and recognise that non-digital channels (such as telephone helplines through to real, knowledgeable staff) will still have a role to play even as more and more services are moved onto digital channels, thus enabling compliance and reducing costs.

11. HMRC, taxpayers and agents should see the same information.

While in some circumstances third party software will present information differently, where HMRC's systems are being used it should be possible for HMRC to see the same information in the same format as that seen by the taxpayer or their agent. This will enable HMRC to better support its customers and minimise the confusion which currently exists in many areas.

12. New digital systems should work for all affected taxpayers.

All taxpayers faced with a particular obligation should be able to use the new digital system to comply. Groups of taxpayers (eg such as those based overseas, or without a National Insurance number etc) should not be left behind, or prejudiced, because HMRC's systems cannot accommodate their characteristics. Where there is a staged roll-out of obligations, the timescales and who is in / out of scope should be clear.

13. Non-digital processes for those who cannot interact digitally or find it difficult to do so.

All digital processes should have a credible, non-digital equivalent, to ensure those who cannot go online (because of their inability to do so, or because HMRC's systems do not accommodate them), or have difficulty doing so, are not disadvantaged when interacting with HMRC. This will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly', so those users do not receive a 'second class' service.

14. Accessible versions or characteristics of digital systems for those with particular needs.

Digital systems should be accessible for those who can go online, but who have particular needs eg those who use screen readers. Again, this will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly', as well as complying with the Equality Act and meeting Web Content Accessibility Guidelines.