

Public Accounts Committee inquiry into HMRC customer service

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 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. We continue to be concerned by HMRC's poor customer service across many key areas, and the approaches they have taken to moving taxpayers to online services. We do not believe there is adequate evidence that measures such as closing telephone helplines will have their desired effect, nor are we convinced that they will not negatively impact compliance.
- 1.3. We support the use of digital tools to enable taxpayers (and their agents) to comply with their tax affairs. However, there remains a significant gap between both the actual availability and awareness of such tools, and what appears to be HMRC's perceptions of what taxpayers (and their agents) can already do. The extent of that gap needs to be determined, and a plan devised to bridge it.
- 1.4. Our recent data-gathering exercise, undertaken in conjunction with ICAEW, demonstrates that it remains difficult to resolve issues and repeated contact is often necessary. It illustrated large proportions of 'low value' contact, with progress chasing and correcting HMRC errors accounting for nearly half of all calls reported. We will share the full report with the Committee when it is launched on 11 December and would be happy to discuss the findings further.
- 1.5. We welcome the additional funding provided for HMRC's customer service group, which appears to have made a positive impact on call waiting times and calls handled. But we are concerned that this masks failings in dealing effectively with anything outside the 'norm' and suggests deeper-rooted problems such as a lack of adequately trained and inexperienced staff and limitations on what systems or information HMRC staff can access, which is leading to considerable inconsistency of service standards.

- 1.6. We also note that the additional funding amounted to less than half of the ‘savings’ being demanded of the customer services group this year. Considering HMRC’s growing ‘customer’ base, particularly those who are likely to need more traditional means of support, its resources should not be further cut until improved digital systems have delivered the intended efficiencies and resource savings and staff can concentrate on those complex issues and its customers who need help.

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. The CIOT is pleased to provide written evidence to the Committee’s inquiry.
- 3.2. Our stated objective for the tax systems 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.
- 3.3. The Committee will see that a ‘responsive and competent tax administration’ is one of our stated objectives for the tax system. Meeting that objective will help the tax system to operate efficiently and effectively, building trust and confidence, and support businesses to grow. The converse may occur if that objective is not met. Similarly, ‘A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented)’ will help engender the trust in the tax system that we and HMRC are keen to embed.

- 3.4. In October 2023, the CIOT provided written evidence to the Committee's inquiry entitled 'HMRC Standard Report 2022-23'.¹ Much of that evidence remains relevant today, and we will highlight some of the key elements where appropriate. The remainder of our evidence will generally focus or build on events and evidence gained since October 2023
- 3.5. The CIOT is represented on the Charter Stakeholder Group.² The Group separately submitted evidence to the Committee's previous inquiry,³ and where necessary we will refer to that evidence here.

4. HMRC's ongoing customer service

- 4.1. The Committee's inquiry last year addressed the performance of HMRC in 2022-23, how it is being affected by the current economic conditions, and the progress it is making in tackling error and fraud. A significant part of our written evidence focused on HMRC's performance, drawing on our then recent survey into HMRC's service levels.
- 4.2. We remain concerned about the data and assumptions used by HMRC in decision making and for understanding the causes and impacts of poor service, and the transparency of such data. Published statements around the proportion of phone calls which relate to tasks which can be done online, the proportion of HMRC's customers who are digitally excluded, and the quoted satisfaction rates for HMRC's services drive decisions within HMRC, and need to be supported by published evidence and research if they are to have the credibility placed on them by HMRC.
- 4.3. Allied to the above, there remains a significant gap between what HMRC think their customers and agents can do online, and what happens in practice. This could be because HMRC's digital systems are not in fact meeting the needs of customers and their agents, or there is a significant knowledge gap between what HMRC's customers and their agents think they can do online and what in fact they can do online, or both. Until that gap has been properly identified, it is not possible to determine the appropriate solutions. We explore this further below.
- 4.4. Significant problems continue regarding HMRC's Research and Development (R&D) enquiries. The Committee's questioning of HMRC during the evidence session on 24 April 2024⁴ and our correspondence with HMRC about their handling of some R&D tax relief claims, emphasised such problems. We are pleased that HMRC are engaging with us on this issue, and some improvement is being seen in some cases. There is much more to do to rebuild trust and ensure HMRC's approach does not continue to undermine the policy objectives of R&D tax relief to encourage investment, and we look forward to discussing the proposed use of advance clearances as announced in the Autumn Budget as part of this process.
- 4.5. The May 2024 report by the National Audit Office (NAO) into HMRC customer service⁵ laid bare the extent of customer service failings and the scale of cuts being asked of HMRC. This is taking place while the number of taxpayers and the complexity of their affairs is increasing.

¹ <https://committees.parliament.uk/writtenevidence/125780/pdf/> - ref HMRC SR0015

² <https://www.gov.uk/government/publications/hmrc-charter-annual-report-2022-to-2023/hmrc-charter-annual-report-2022-to-2023#appendix-3-charter-stakeholder-group>

³ <https://committees.parliament.uk/writtenevidence/130275/pdf/>

⁴ <https://committees.parliament.uk/event/21373/formal-meeting-oral-evidence-session/>

⁵ <https://www.nao.org.uk/reports/hmrc-customer-service/>

- 4.6. For instance, between 2021-22 (the last year in which allowances were indexed-linked) and 2024-25, around 4.4m more individuals are now within the scope of income tax, an increase of 13.3% in just four years. In the ten years prior to 2021-22, over the entire period, the income tax paying population increased by just 1.3%. Again from 2021-22 to 2024-25, nearly 1.9m more individuals are now paying income tax at the higher rate, an increase of 42.4%, and there are 610,000 more individuals paying the additional rate, taking the total number to well over double the number paying the additional rate four years ago.⁶ According to estimates by the IFS, the effect of freezing allowances and thresholds until and including 2027-28 will result in 2.5m more taxpayers brought into the higher and additional rates of income tax than if the allowances had increased with inflation.⁷
- 4.7. Perhaps more significant from a customer service perspective, there has been an increase in those over state pension age paying income tax, from 6.7m in 2021-22, to 8.5m in 2024-25, a rise of over 26%.⁸ HMRC commissioned research identified that 25% of people aged over 65 are digitally excluded, and the same percentage only uses the internet once a day or less.⁹ Specifically, that research also found that those who paid tax on pension income were generally less digitally capable than other HMRC customers, and older customers were less likely to have had any online interaction with HMRC than younger customers.
- 4.8. We therefore support the NAO's conclusion that 'more realistic plans', focused on customer needs, are needed for HMRC's shift to digital.
- 4.9. We welcomed the announcement¹⁰ in May of an additional £51 million of funding for HMRC customer services, though noted that this represents less than 6% of HMRC's customer service budget (£881 million net cost in 2022-23), and that it is being provided in a context where HMRC is being expected to deliver efficiency savings within this budget (customer services) of at least £116 million in 2024-25. Thus, it appeared likely to us that this £51 million injection would merely slow the pace of cuts in HMRC's services, rather than providing than providing a basis for improvements.
- 4.10. However, that investment may be having some positive impact on HMRC's customer service, for example, on the percentage of calls getting through, demonstrating (at least in part) that adequate resourcing has been a contributory factor. We note for example that, in August 2024, HMRC handled 82.7% of calls (against a target of 85%) and call waiting times averaged just under seventeen and a half minutes. In April 2024 ie prior to the additional investment, HMRC handled just 68.9% of calls and waiting times averaged twenty-eight and a half minutes. We understand from HMRC that they expect to be meeting several of their customer service targets by the end of the calendar year.
- 4.11. Notwithstanding these 'green shoots', we continue to receive from our members, and hear reports of, significant dissatisfaction with HMRC's performance. As a result, we joined forces with the ICAEW on a project to capture evidence of real-life attempts to interact with HMRC. We are using this and other evidence to make recommendations for how HMRC's customer service might be improved. Our emerging findings show that,

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[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F66798b84a7a18c1aa1a00f50%2FTable 2.1 Number of individual Income Tax Payers.ods&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F66798b84a7a18c1aa1a00f50%2FTable%202.1%20Number%20of%20individual%20Income%20Tax%20Payers.ods&wdOrigin=BROWSELINK)

⁷ <https://ifs.org.uk/sites/default/files/2023-05/A-deepening-freeze-more-adults-than-ever-are-paying-higher-rate-tax.pdf>

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[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F66798b84a7a18c1aa1a00f50%2FTable 2.1 Number of individual Income Tax Payers.ods&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F66798b84a7a18c1aa1a00f50%2FTable%202.1%20Number%20of%20individual%20Income%20Tax%20Payers.ods&wdOrigin=BROWSELINK)

⁹ <https://www.gov.uk/government/publications/contact-method-preference-and-digital-appetite-of-hmrc-customers>

¹⁰ <https://questions-statements.parliament.uk/written-statements/detail/2024-05-13/hcws456>

while contact performance might be improving, it remains difficult to deal with anything out of the 'norm', and frequent progress chasing is required.

- 4.12. We will be publishing our report on 11 December, and we would be happy to discuss the results and recommendations with the Committee.
- 4.13. Helping willing taxpayers to be compliant is a vital part of HMRC's job. Unless and until automated digital services can be radically improved, continued investment is needed in HMRC's customer services so there are adequate and well-trained resources to provide all year round, well-publicised help and advice to taxpayers from a human adviser over phone and webchat, as well as through better, easy to access guidance.
- 4.14. In particular, we would strongly caution against radical measures such as closing or restricting helplines until there is clear evidence of an equivalent reduction in demand.

5. HMRC's digital services

- 5.1. Our members tell us that their preference is to deal with HMRC digitally. In our member survey last summer, 80% of respondents said they would use HMRC's online services or third-party software if it would resolve the cause for their contact. According to HMRC's own research (although note our caveat above), a similar percentage of taxpayers are capable and content to engage with HMRC digitally.
- 5.2. However, also in our survey, 89% of respondents said that the cause of their phone call to HMRC could not have been resolved using HMRC's online services. We are bemused as to why taxpayers and agents would spend a significant length of time on hold, trying to get through to a HMRC adviser, if their issue could be resolved online. Indeed, the general sentiment amongst agents is that the last thing they want to do is phone HMRC. We received feedback during our joint project with ICAEW that many advisers have given up using webchat with an HMRC adviser because of the high likelihood of no advisers being available. Some commented that when it works well, webchat would be a more efficient and preferred form of contact than having to phone HMRC.
- 5.3. HMRC need to reconcile these different perceptions as to whether online services can resolve taxpayer and agent queries. We have previously asked HMRC to share with us details of the nature of the calls they receive, so that we can help identify the reason for the calls. Until now, this has not been forthcoming, and this is something the Committee may wish to explore. That said, since the helpline announcements in March, there has been a greater emphasis on working together to resolve HMRC's service level issues. While this engagement paused during the election, we look forward to picking this up again now that the new government is in place.
- 5.4. One area of concern is the extent to which HMRC's digital services meet the needs of their users. Too often we have seen new digital services which do not work effectively, offer less functionality than their predecessor equivalent, and do not accommodate large proportions of the affected population. Functionality for agents, who in some cases are the heaviest users of a particular service, is sometimes not facilitated, or often lags behind that provided for taxpayers, or is not fit for purpose.

- 5.5. This led us to produce our minimum standards for the introduction of new HMRC digital systems,¹¹ and minimum standards for HMRC digital forms.¹² We have previously shared these with HMRC, and they are reproduced in the appendices to this submission.
- 5.6. By way of illustration, there is a new online review process for the VAT penalty points system which came into effect on 1 January 2023. While the presence of a digital service accessible by agents is welcome, notwithstanding the feedback we and others provided during its development, it is not suitable for use by agents. This is because it does not allow the form to be saved during its completion (to enable the agent to obtain the client's approval to submit it), it doesn't allow for a copy of the final version to be printed (to provide a record of what was submitted), and it doesn't provide a submission receipt to demonstrate when it was lodged.
- 5.7. The functionality of new services is frequently limited by that of legacy systems with which the new system interacts. This is why the new VAT registration service cannot accommodate special characters (such as umlauts) which often form part of the names of foreign businesses which have to register for UK VAT. Before any new system is developed, the limitations of linked, legacy systems need to be addressed. Indeed, it is vital that investment in legacy systems continues, as it is often many years before new systems become fully operational and legacy systems decommissioned. We frequently identify problems arising because of the lack of interaction between HMRC's two main legacy systems: Computerised Environment for Self-Assessment (CESA) and the National Insurance and PAYE Service (NPS), yet there appears little appetite to link these systems, even though it will be many years before they are fully replaced by HMRC's new Enterprise Tax Management Platform (ETMP).
- 5.8. The (re)commencement of the private beta testing for Making Tax Digital for Income Tax Self-Assessment earlier this year gave us an opportunity to consider and publish our 'principles of digitalisation'.¹³ We believe these principles should act as a benchmark against which digital tax services should be measured. Again, these have been shared with HMRC, and they are reproduced in the appendices to this submission.
- 5.9. We understand that HMRC are working on their own core digital standards, and the Autumn Budget announced that the government will transform HMRC into a digital-first organisation, with a Digital Transformation Roadmap to be published in spring 2025. We would urge the government and HMRC to work with stakeholders on its development, rather than simply publishing it as a fait accompli in the spring.

6. Accountability

- 6.1. We are concerned that HMRC is not held sufficiently accountable for its failings. We can see that the appointment of the Exchequer Secretary to the Treasury, James Murray MP as chair of HMRC's Board may assist with this.

¹¹ <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/71d4b116-9834-4f53-9c8a-b7dec4740d45/230907%20Minimum%20standards%20for%20the%20introduction%20of%20new%20HMRC%20systems%20FINAL.pdf>

¹² <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/db9b401f-c661-45bb-a53d-29e5537a5c8a/230907%20Minimum%20functionality%20needed%20for%20HMRC%20digital%20forms%20FINAL.pdf>

¹³ <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/e941b7ef-5d79-43c6-9137-348fcb3dce12/240423%20CIOT%20and%20ATT%20principles%20of%20tax%20digitalisation%20FINAL.pdf>

Feedback on HMRC's performance against its Charter

- 6.2. In the Charter Stakeholder Group's survey for 2023-24, 88% of respondents said they did not think that HMRC was held sufficiently accountable for its performance against the Charter. That was a slight increase from 86% in 2022-23.
- 6.3. Separately, CIOT has raised questions in connection with HMRC's Compliance Professional Standards (CPS),¹⁴ which link through to their Charter. While it is helpful to have a set of expectations or aspirations, it is not clear what the recourse is in cases where these are not met. This is particularly evident from the 'volume compliance' approach to R&D enquiries where there have been multiple failings of basic standards counter to the Charter and CPS.

Relative financial sanctions

- 6.4. If HMRC fails to make tax repayments in time, or makes errors leading to taxpayer refunds, it pays interest at the Bank of England base rate minus 1%, so 3.75% per annum. If a taxpayer fails to make a tax payment in time, or makes errors leading to an underpayment of tax, HMRC charges interest at the Bank of England base rate plus 2.5%, so 7.25% per annum. From April 2025, the rate of interest payable to HMRC on overdue tax will be increased by 1.5%, increasing this differential even further. Penalty interest or other late payment penalties may also be charged on the taxpayer.
- 6.5. Therefore, the financial consequences of late payments or repayments of tax are significantly lower for HMRC than they are for taxpayers. While HMRC may pay modest amounts of compensation if a successful complaint is made, since the removal of Repayment Supplement for VAT in 2023, there are no financial penalties on HMRC for its delays.
- 6.6. The position is further exacerbated in two situations:
- a) Commercial restitution - It is possible for a taxpayer to underdeclare an amount of VAT due to HMRC, in circumstances where that VAT is reclaimable as input tax by a third party, such as the taxpayer's customer. In such cases, there has been no loss to the Exchequer and no compensation or restitution is required.

Under the previous interest regime (which applied to VAT return periods starting on or before 31 December 2022), the principle of commercial restitution could be applied. This provided HMRC with discretion not to charge the supplier interest on the underdeclared output VAT, because there had been no loss to the Exchequer.

Under the present system (which applies to VAT return periods starting on or after 1 January 2023), HMRC no longer has statutory discretion to not charge interest in these circumstances. So, interest is now being charged in situations where there is no net loss to the Exchequer.

We do not understand this to be a deliberate policy intention, and it may simply have been an oversight due to the unique position of VAT - a tax chargeable by one person that is sometimes reclaimable by another. However, due to the disparity in interest rates outlined above, this creates an absolute cost – a penalty in any other name. Further, because of how the VAT system operates, the customer is unlikely to

¹⁴ <https://www.gov.uk/government/publications/professional-standards-for-hmrcs-compliance-work/hmrc-professional-standards-for-compliance>

be entitled to any interest from HMRC, meaning that the Exchequer is enriched by the whole 7.25% (8.75% from April 2025).¹⁵

- b) HMRC delay – There are circumstances in which delays or tardiness within HMRC can give rise to an interest charge and have nothing to do with the taxpayer being unwilling to pay on time.

One example of where the new rate will have a particularly severe impact on taxpayers is in the area of probate and inheritance tax (IHT). IHT on a deceased person's estate is due 6 months after the end of the month of death [IHTA 1984, s.226]. It is challenging for the personal representatives (and their professional advisers) to obtain all the details and values of the deceased's property and assets within that relatively short period, and even more so if there is a disputed will, or no will so that the rules of intestacy apply which will also determine the identity of the personal representatives. In some cases there may be sufficient ready cash that the banks and other financial institutions are prepared to release to HMRC. But in other cases, funds are not accessible and will need to be realised by the sale of assets. That can only take place after a grant of probate has been issued to give the personal representatives authority to make the sales.

The backlogs in the Probate Registry are not currently as severe as they once were but, nevertheless, in August 2024¹⁶ digital applications took between 3 and 15 weeks (7 being the average) and in complex cases requiring a paper application between 10 and 28 weeks (15 being the average). Not only do these delays in the government service cause upset and frustration to bereaved families, but they result in increased cost for them through the interest charges running on outstanding IHT. The average amount of IHT paid on taxpaying estates in 2021-22 was £215,000¹⁷. If one estimates (very broadly from the published statistics on the composition of estates) that some £100,000 of that tax was payable at the 6 month point (tax on land is payable over 10 annual instalments), then, had the increased rates been effective on Budget Day the interest charge on outstanding IHT would amount to £750 per month.

The position of personal representatives will be exacerbated further from 6 April 2026 when they will have the added burden and complexity of having to identify and then liaise with pension scheme administrators to establish the existence and if so, the value, of any unused pension funds that are to be aggregated with the death estate. This will have to be done before the IHT charge on the estate itself can be calculated and paid. As the IHT nil-rate band will be apportioned amongst the various components of the estate, the IHT charge and the potential for even more late payment interest will be increased. The due date for payment of tax within 6 months of the date of death has been unchanged since the Finance Act 1975 introduced Capital Transfer Tax. Estates were less complex then and a grant of probate would typically be issued by a District Registry within a week; under those circumstances the 6 months' due payment date was reasonable. Compare the present-day position and there is a cogent argument that, to be fair to taxpayers, the date for payment of IHT be aligned with that for filing the IHT account – 12 months after the end of the month of death.

¹⁵ <https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch140295>

¹⁶ HMCTS statistics https://www.gov.uk/government/statistical-data-sets/hmcts-management-information-august-2024?utm_medium=email&utm_source=

¹⁷ Inheritance Tax liabilities statistics <https://www.gov.uk/government/statistics/inheritance-tax-liabilities-statistics>

In short, in circumstances where a delay in payment is due to delays by HMRC, it is wrong for HMRC to charge the taxpayer any interest at all, and certainly not the same rate of interest payable by those who are non-compliant.

Underperformance is accepted

- 6.7. The recent NAO report notes that HMRC has not met many of its customer service targets for several years. We are concerned that it has become the 'norm' for HMRC to underperform.

7. Acknowledgement of submission

- 7.1. 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 those providing written evidence when any outcome of the inquiry is published.

The Chartered Institute of Taxation

18 November 2024

Appendix one**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.

Appendix two**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 three**Principles of tax digitalisation**

A digitalised tax system should:

1. Enhance existing processes

Digital systems should build on and enhance the functionality of any manual or legacy IT systems, providing an improved range of services and user experience whilst reducing the capacity to make mistakes.

2. Be cost and resource efficient

Digitalisation should reduce the overall resourcing requirement of tax administration and collection, when the position of all participants (including taxpayer, agents and HMRC) is considered. It should not impose undue additional costs or administrative burdens on taxpayers and agents without a demonstrable benefit.

3. Be secure

Digitalisation should ensure taxpayers' data is kept securely and its integrity maintained, while avoiding insurmountable identity verification and access barriers.

4. Be integrated & adaptable

Related systems should interact seamlessly, with a single point of entry and automated data flows. They should be flexible enough to accommodate future legislative and technological changes.

5. Accommodate Agents

Agent access and functionality should mirror that of taxpayers themselves, whilst respecting existing authorisations and providing a practical, consistent process for new authorisations.

6. Be simple, tested and co-created

New systems and processes should be designed from all users' perspectives, in partnership with users and developers. Adequate time should be allowed in the policymaking process for testing and implementation, with checkpoints to ensure that the desired outcome will be achieved.

7. Accommodate accessibility requirements

No-one should be left behind because a digital system cannot accommodate their characteristics or accessibility needs – for instance impaired vision, physical difficulties or cognitive impairments. Those who cannot interact digitally should have a viable alternative.