

## **Making Tax Digital: Transforming the tax system through the better use of information Response by the Chartered Institute of Taxation**

### **1 Introduction**

- 1.1 This consultation considers how more effective use of third party information can contribute to HM Revenue and Customs' (HMRC) transformation of the tax system under Making Tax Digital (MTD). Third party information means information provided by an organisation which taxpayers would otherwise need to report to HMRC.
- 1.2 Our response to this consultation document (condoc) should be read in conjunction with our responses to the other condocs on MTD in particular '*Making Tax Digital: Bringing business tax into the digital age*' and '*Making Tax Digital: Voluntary Pay as You Go*'.
- 1.3 As an educational charity, our primary purpose is to promote education in taxation. One of the key aims of the CIOT 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.
- 1.4 We conducted a member survey on MTD during September 2016. We received some 1,082 responses, and we refer to the results of the survey in this response document. Over 90% (965) of respondents work in accountancy practices, and 61% (647) of respondents were members in small practices, including sole traders, with 22% (234) of responses from members in medium sized practices. Amongst the others, there were 36 responses from members in commerce and industry, and 5 responses from members in HMRC.
- 1.5 Note that we have only answered those questions where we have substantive comments to make.

## **2 Key messages from the CIOT about Making Tax Digital**

- 2.1 Whilst MTD will bring benefits to HMRC, the likely impact on most businesses and taxpayers will be an increased workload and / or increased costs. It is not at all clear that there will be commercial benefits to offset such costs, particularly for smaller businesses.
- 2.2 The timetable for mandation of MTD is far too optimistic and must be pushed back. The proposed deferral of MTD for certain small businesses over the proposed exemption threshold is insufficient. Effective software is not yet available and fully tested, so the substantial number of businesses that currently do not use software will inevitably have difficulties both selecting the appropriate software and getting to grips with its functionality. Businesses that currently do use software will be prejudiced if their provider cannot keep up with the demanding timescales.
- 2.3 Deferral of MTD will allow a smoother and more effective transition. The continued widespread use of spreadsheets, and an upload facility onto an HMRC portal, will assist businesses get used to updating HMRC more regularly, in a more digitised fashion, whilst ensuring that transition time and costs can be better managed.
- 2.4 The thresholds for mandation need to be increased. The £10,000 threshold for exemption is far too low. It could place the obligation on non-taxpayers and landlords with a single buy-to-let residential property.
- 2.5 That said, the case for mandating larger businesses into MTD has not been made out. These businesses are already likely to have comprehensive record-keeping systems, already in a digital format, and many corporates will be subject to independent external audit. Mandation of a particular method of digital record keeping, and quarterly reporting, will create significant administrative costs and burdens. The figures being submitted quarterly would still need to be adjusted at the end of the year for tax purposes, and the submission of unadjusted figures will be of little or no benefit to HMRC or to the business.
- 2.6 Real simplification of the tax system, particularly for small businesses, will help MTD work. For example, a simple income-minus-business expenses model would be easier for taxpayers to understand and report. The simplification proposed is inadequate and potentially detrimental to taxpayers. In any event, simplification should take place BEFORE introducing mandatory digital record keeping and reporting.
- 2.7 Agents will be an integral part of MTD, yet the consultations are worrying devoid of much mention of agents, and seemingly imply that businesses will wish to 'do it themselves'. Agent access and functionality needs to keep progress with taxpayer access, and consideration needs to be given to the different types of agent and the various functions that they carry out.
- 2.8 In any event, communication of MTD, direct to businesses and individuals, is vital. There is much work to be done to educate and inform the public about these very significant proposals, and how they change the interaction they will have with HMRC. In our view, HMRC will need to step-up its promotion of MTD. Digital communications such as YouTube and Twitter will not reach businesses that currently do not use digital tools. Traditional mechanisms such as television, radio and newsprint should be considered.

### 3 Executive summary

- 3.1 The CIOT agrees that HMRC should make better use of third party data. As we move towards increased digitalisation of the tax system and the economy in general, a taxpayer should not have to give HMRC information that HMRC already have in their possession if they have received that data from elsewhere.
- 3.2 Our main concern surrounds the accuracy of the data that HMRC will be given by third party providers, how HMRC will use this to pre-populate a taxpayer's Digital Tax Account (DTA), and how the taxpayer will be able to challenge discrepancies.
- 3.3 We do not agree with the proposal in the condoc that a taxpayer will not be able to override incorrect data in their DTA and will be forced to contact the third party data provider to sort out the discrepancy. This will be extremely burdensome for the taxpayer and could cause a great deal of stress and worry, particularly if the discrepancy is large, until the dispute is resolved. It will in fact be more burdensome than the current regime where the taxpayer's obligation is to enter the correct figure themselves onto their tax return. The impact on third parties is also likely to be significant – a statutory obligation may need to be placed on those third parties to require them to resolve queries within a specific timescale and subject to specific rights of appeal.
- 3.4 A taxpayer should be able to easily to correct inaccurate data in their DTA themselves. To minimise taxpayer error, the taxpayer could be asked whether they agree with the data, and if they disagree with it be required to provide an explanation for why they are overriding the third party data and warning prompts and nudges could be utilised to warn the taxpayer of the consequences of submitting incorrect information.
- 3.5 The role of agents is barely mentioned in this condoc, yet represented taxpayers will be as affected by these changes as much as unrepresented taxpayers. Under 'Your Charter'<sup>1</sup> HMRC must accept that someone else can represent a taxpayer in their dealings with HMRC. In order that an agent can represent their clients effectively and efficiently, agent access to the information in their clients' DTAs must be provided as soon as possible. We have already raised this with HMRC at the highest level.
- 3.6 Represented taxpayers will expect their agents to sort out discrepancies with third party data and at the moment the agent is handicapped by not having access to the information in their clients' DTA. If, contrary to our views, the need to resolve issues around incorrect third party information directly with those third parties is retained, an agent's authorisation from their client to represent them with HMRC will also need to hold good against the third party, who will otherwise likely refuse to liaise with the agent on data protection or similar grounds. This might in turn require changes to the form in which the client/taxpayer gives their authorisation.
- 3.7 Over the coming months, it is critical that HMRC carry out a widespread and sustained programme of publicity and education about the transition to DTAs, together with the provision of appropriate support and assistance to help taxpayers understand what they need to do to comply with their tax obligations. These changes are coming in very quickly and taxpayers (and their agents) have a lot to familiarise themselves with in a very short space of time. We know that so far 5 million taxpayers<sup>2</sup> have accessed their DTA at least once, but there is still a long way to go

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<sup>1</sup> <https://www.gov.uk/government/publications/your-charter/your-charter#A5>

<sup>2</sup> <https://www.gov.uk/government/news/more-than-5-million-customers-are-using-hmrCs-personal-tax-account>

to achieve a position where taxpayers are regularly responding to HMRC messages and checking their DTAs for accuracy.

- 3.8 Non-digital options must be made available for those taxpayers who fall into the category of 'digitally excluded'. We fully endorse the comments made by our Low Incomes Tax Reform Group (LITRG) in their response to this consultation document. Their focus is on unrepresented low income taxpayers, many of who are digitally excluded due to age or disability.
- 3.9 It is not certain when the transition will begin from the current self-assessment tax return (SATR) system to full reporting inside the DTAs. There are various references throughout the condoc to taxpayers no longer being required to complete a SATR (see 'Geeta' Fig 2.5), but the examples are very unclear. This is an issue that many of our members are raising with us.
- 3.10 Tax payers may also receive other income from banks and building societies, such as 'compensation interest' and 'reward payments' on current accounts. Some of these continue to be subject to deduction of tax at source as annual payments, but some reward payments are classed as miscellaneous income and not subject to tax at source but should be included in a customer's tax returns, outside the scope of the Personal Savings Allowance (PSA). Many taxpayers will not appreciate the difference between the various payments, and in any event they might be reported as a single amount in the DTA. We suggest that the government takes the opportunity to align the tax treatment of all of these payments, and treat them all as eligible for the PSA.

**4 Question 1: Where events during the year result in a change to a customer's tax projection, what is the appropriate format and regularity of notification that HMRC should send to employers and customers?**

- 4.1 In our view, the plan to make more adjustments to PAYE notices of coding is going to mean an extra burden for employers both in processing more forms P6 and in explaining changes in the code to employees. Our experience leads us to expect that taxpayers will query the changes in their code with their employer rather than try to access and understand the DTA. We note in paragraph 2.13 that HMRC think that the design of the DTAs will mitigate an increase in employee queries but we think this is unlikely to happen, at least in the short term.
- 4.2 Paragraph 2.9 of the condoc suggests that in October 2016 HMRC will start using previous tax year bank and building society interest information to amend PAYE tax codes for all taxpayers, where the account is solely held by one customer. The consultation describes this as an 'improvement', but we doubt how estimates of previous year figures which will in all likelihood be wrong can be described as an improvement. For example, many taxpayers will only have significant amounts of taxable interest not covered by the PSA when they have large sums on temporary deposit, such as proceeds of a house sale pending a move. In most cases this is unlikely to continue year on year, so imputing this to the next year may bring more errors than solutions. Indeed, we are already hearing from members that a significant number of errors are being made by HMRC which does not bode well for the future.

- 4.3 It is not clear how a taxpayer with other sources of income (ie not PAYE income or income which will need to be reported quarterly) can be provided with an accurate estimate of their tax position during the year unless they are required to report other sources of income and reliefs in-year too (see paragraph 2.21 and the first part of 2.22). However, paragraph 2.22 goes on to explain that taxpayers will still have a statutory obligation to make sure that the information is correct and complete and to report any income that has not been included in the calculations on an annual basis. This sounds like a tax return by another name. What we think this means is that taxpayers reporting certain income on an annual basis will not be able to rely on any tax estimates being automatically calculated in their DTAs. HMRC will need to make this very clear to taxpayers to avoid taxpayers misinterpreting the tax estimates in their DTA.
- 4.4 Where events during the year result in a change to a taxpayer's tax code or tax projection, then our view is that HMRC should notify the taxpayer at the time of each event and/or change in tax code. If HMRC do not do this the taxpayer will be unaware that a change has been made unless, for example, their net pay changes or they check their payslip. If no communication is received directly from HMRC, it is more likely that they will query the change with their employer. As much information as possible should be given to the taxpayer by HMRC in order that they (or their agent) can check if the changes that HMRC have made to their tax code are correct or not.
- 4.5 It would be sensible that HMRC should notify the taxpayer using the normal means of communication with that taxpayer. If a taxpayer has signed up to receive digital communications, this would be an email or text message telling them to sign into the DTA to read the relevant message. If a taxpayer has not signed up to receive digital communications, because, for example, they are in the category of 'digitally excluded', then HMRC should contact the taxpayer in writing. During a recent trial of P2s we have already cautioned HMRC against deliberately withholding information (in order to get taxpayers to log in to their DTA).
- 4.6 The consultation does not mention if agents will be sent messages by HMRC informing them that their clients' code numbers or other DTA data have been changed. We think that where a taxpayer appoints an agent to represent them in their dealings with HMRC, they should have access to the same messages as their clients, perhaps via third party software. This functionality should be built into the new digital systems currently being developed so that synchronisation of messages is a routine event.
- 4.7 HMRC should notify employers each time a change in an employee's code number is made, as now, otherwise the employer will be unable to make correct deductions in accordance with the latest code number. We would suggest that this is best done electronically, as now.
- 4.8 We note that Peter (Fig 2.2) 'is impressed with how easy it is to register' for his DTA. We suspect that many taxpayers will not find it so easy, particularly if they do not have access to a computer or smartphone, or they live in areas with a poor Broadband connection.
- 4.9 We conducted a survey of our members on MTD during September 2016. In the survey we included several questions on the DTA. We include these and the responses we received in the following paragraphs and in the attached appendix.

- 4.10 The first question we asked was: 'Approximately how many of your clients have accessed their own personal or business digital tax account?'<sup>3</sup>
- 4.11 68.3% of respondents said that between 0% and 25% of their clients had so far accessed their DTAs, with a further 24.5% saying that they did not know how many had accessed their DTAs. Only 3.7% said that they knew that over 25% of their clients had accessed their DTAs.
- 4.12 We suspect that one of the reasons for the low number of clients who have accessed their DTAs is due to the fact that they have an agent to handle their tax affairs. Many of these clients will have no interest in looking at their own DTAs and will be expecting their agents to be able to deal with all matters involving the DTA. Since agents currently do not have access to the information in their clients' DTAs (and HMRC have still not told us when access will be provided), we know already that this is causing problems for agents in dealing with clients' tax affairs.
- 4.13 The second question we asked was: 'Looking at your own situation, have you accessed your own Digital Tax Account yet?'<sup>4</sup>
- 4.14 67.4% of respondents told us that they had not so far accessed their own DTAs with some members responding that they did not know what it was. This lack of knowledge does concern us. We try very hard to keep members informed and up to date, but the onus to do this lies primarily with HMRC.
- 4.15 On a more positive note, some respondents told us that the survey had prompted them to look at their own DTA.<sup>5</sup> 32.6% (345) of respondents had accessed their own DTA and most of them (235 or 68.1%) had found it easy to access and use.
- 4.16 We asked members who have not found their DTA easy to access or use, why they have not found it easy. There were a range of reasons given and the full list of comments is attached as an appendix (see Appendix Two).  
Frequent reasons given were:
- The verification process is too long and complicated;
  - Not enough detail is provided about what information you need before you start the process;
  - Too much security;
  - Not having a mobile phone (or good enough signal) which was originally needed to access the account;
  - Worries about the security of personal data, especially when verifying via a third party;
  - Limited information once in and the information is misleading/wrong/poorly presented.
- 4.17 The final question we asked about the DTA was: 'If you have not accessed your Digital Tax Account yet what has stopped you accessing it?'<sup>6</sup> Nearly half the respondents said they hadn't needed to access it (yet), with around a quarter saying they hadn't had the time.

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<sup>3</sup> See appendix one for more details.

<sup>4</sup> See appendix one for more details.

<sup>5</sup> See appendix one for more details.

<sup>6</sup> See appendix one for more details.

- 4.18 Our conclusion from these results is that if HMRC want taxpayers (and agents) to access their DTAs, then HMRC need to carry out a very large exercise in educating the users about the DTA and why they might need to access it, and provide better guidance and support to those who need to access it.

**5 Question 2: Have you any suggestions for how we present third party information in your digital tax account in a way that will make it easier for you to understand your tax?**

- 5.1 A full list of income sources must be presented so that the taxpayer can check that the data is accurate. So if the taxpayer has several interest earning bank accounts, the interest from each one, the name of the account provider and account number must be itemised by HMRC. We suggest that for the account provider the commonly used brand name is used, rather than the legal name of the payer, which may be different.
- 5.2 The presentation should not suffer from GDS/GOV.UK restrictions. Use of different colours for different sources of income might help, or different fonts / accents, to easily identify which items have been pre-populated.
- 5.3 We are unclear whether trusts, personal representatives and non-residents with taxable sources of UK income will also be required to access a pre-populated DTA.

**6 Question 3. If you are concerned over privacy impacts of HMRC's plans for improving how we use third party information we already receive, do you have any suggestions for how these concerns could be resolved?**

- 6.1 There is a risk that taxpayer confidentiality might be breached if income is credited incorrectly to a taxpayer's DTA. Some examples of when this might occur are in relation to bank accounts that are held by trustees (including parents holding accounts for their minor children), executors or persons authorised by a Power of Attorney.
- 6.2 Third parties need to consider how they can verify the information they hold about account holders is correct, before the information is shared with HMRC. HMRC need to consider how they can ensure that data is correctly allocated to the right taxpayers, eliminating the risk of sharing confidential information with other taxpayers.

**7 Question 4: If a third party information provider is aware of how the ownership of a joint asset is split, do you think the third party provider should inform HMRC?**

- 7.1 Whilst in the longer term this this might be desirable, the information held by the third party could be inaccurate or out of date, and we would suggest that the system is given time to bed in before additional information is provided to HMRC.

7.2 Where the split of income between spouses or civil partners is not 50:50, for example because a Form 17<sup>7</sup> has been submitted by the taxpayers to HMRC showing a different split, and the DTA does not pick this up, there should be the facility for the taxpayer to override the figures in the DTA. This is likely to be quite a common occurrence, especially as MTD develops and the sources of third party information grows to include the likes of estate / letting agents. Delays and complications will arise if the taxpayer is unable to override the figures reported in the DTA.

**8 Question 5: Information providers will want to keep their customers fully informed about the information they provide to HMRC (and have a responsibility to do so under the Data Protection Act 1998). Do you think there should be a standard approach, or should information providers design the best approach to meet the needs of their particular business and customers?**

8.1 A standard approach would be easier for taxpayers to understand and become familiar with, but ultimately this is a decision best taken by the information providers in line with their particular business and customer needs.

8.2 One question that is not addressed in the consultation document, is how third party providers and HMRC will match up the right data with the right individual taxpayer, since taxpayers have not routinely had to provide National Insurance or tax reference numbers to banks and building societies when opening non-tax exempt accounts.

**9 Question 6: Do you have any preferences for how you would like to be kept informed by third party information providers?**

9.1 In order to minimise costs which will probably have to be passed on to customers, we would suggest that third party providers maintain their current methods of informing customers as far as possible.

**10 Question 8: Do you agree with the principles we have set out for how information queries should be resolved? What are your expectations for how this would work in practice?**

10.1 We disagree entirely with the proposals for resolving queries about figures in the DTA provided by third party providers.

10.2 The suggestion is that, with limited exceptions, the taxpayer must contact the third party provider directly to resolve the query, even if the error is around HMRC's matching and processing of the data, and if the income figure is incorrect the third party provider will provide revised information to HMRC.

10.3 This is neither simplification nor an improvement on the current system. It is placing the burden on the taxpayer to challenge and resolve errors and omissions in third

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<sup>7</sup> Declaration of beneficial interests in joint property and income  
[https://public-online.hmrc.gov.uk/lc/content/xf/forms/profiles/forms.html?contentRoot=repository:///Applications/SpecPersTax\\_iForms/1.0/17&template=17.xdp](https://public-online.hmrc.gov.uk/lc/content/xf/forms/profiles/forms.html?contentRoot=repository:///Applications/SpecPersTax_iForms/1.0/17&template=17.xdp)

party data, which we think is unreasonable. It could be time-consuming and costly for the taxpayer to do this. Additionally, it could cause stress and worry especially if the discrepancy is large.

- 10.4 The taxpayer has no control over how long the third party provider might take to resolve the query, yet banks would need adequate time to deal with such queries, possibly within a statutory timeframe. This will be a cause of frustration and worry for the taxpayer, leading to a loss of trust in both the third party provider and HMRC's ability to process their data efficiently and accurately. It will also lead to delays in finalising the taxpayer's tax liability. Whilst this will not be considered an incomplete or late return, it is likely to lead to a 'spike' in queries for third party providers shortly before the deadline for confirming the information is current, which the third parties may have difficulty coping with.
- 10.5 A better solution would be for the taxpayer to be asked whether they agree with the pre-populated figure and, if they do not agree with it, to be given the facility to correct errors in the DTA themselves. To minimise taxpayer error, the taxpayer could be required to provide an explanation for why they are overriding the third party data and warning prompts and nudges could be utilised to warn the taxpayer of the implications of submitting incorrect information. Alternatively, surely the first point of contact should be with HMRC to check that the data received has been properly matched with the taxpayer and processed accurately.
- 10.6 The consultation document does not address the possibility that it may be HMRC who have made the error and not the third party data provider. HMRC errors are common in our members' experience. For example, our members are currently reporting a large number of errors in P800s and in 2016/17 notices of coding. In addition, errors can occur in the matching to individual taxpayers' data, particularly from overseas, that HMRC receive. The banks and building societies would not necessarily be able to resolve this.
- 10.7 There seems to be no proposal for a process to deal with the correction of HMRC's matching and processing errors. There needs to be a clear pathway for taxpayers to resolve errors caused by HMRC quickly and easily.
- 10.8 We are concerned that many taxpayers will simply fail to log in and check the information in their DTAs and as a result errors in third party data and HMRC information will slip through the net. Other taxpayers may be reluctant to query the figures either through lack of time or lack of understanding. Such taxpayers will put themselves at risk of HMRC enquiry and penalties for incorrect or incomplete information. HMRC need to explain how they will educate the taxpaying public about their responsibilities under the new system.
- 10.9 Represented taxpayers will expect their agents to deal with queries, but unless agents and third party providers have the client's explicit authority to communicate they are unlikely to be able to resolve discrepancies in third party information, which may increase costs. In such circumstances it might be worth exploring whether the agent authorisation process can extend to information provided by third parties, although we suspect this will be difficult due to data protection issues.
- 10.10 In any event, it will be absolutely essential for the agent to be able to view the information in their clients' DTAs, otherwise they will not be able to assist them effectively and efficiently in resolving queries.

- 10.11 The reference in paragraph 3.17 to 'estimated assessments' is reminiscent of the tax system pre self-assessment. Will there be the facility to appeal the estimated assessments and postpone the tax arising on them if the taxpayer disagrees with HMRC's estimate?
- 10.12 Paragraph 2.3 refers to the information that is already being inserted into taxpayers' online self-assessment tax returns. This includes Class 2 National Insurance Contributions, but we already know that there are lots of problems occurring with Class 2 not being recorded properly due to HMRC's records not being up to date, as well as the interaction between Class 1, Class 2 and Class 4 NIC liabilities, and taxpayers (and HMRC) not being aware of what they need to do to correct the information HMRC holds.
- 10.13 We think that the proposals to pre-populate the information in the DTA should be piloted first, and a review undertaken, before being rolled out to all taxpayers.

**11 Question 9: How can we best align HMRC's third party information requirements with information provider's circumstances? For example, with other standards information providers need to meet; other regulatory change; internal business processes and requirements.**

- 11.1 It is not going to be a simple task in the short term to ensure compatibility between HMRC and information providers' systems. Information providers are often subject to different regulation and the information they have to provide under various regulations needs to be as compatible as possible, which may make any real time adjustments very difficult to achieve if, for example, the information provider is geared to providing HMRC with information after the end of the fiscal year on an annual basis. Information will need to be provided to HMRC under say CRS and FATCA<sup>8</sup> as well as to fill DTAs – having a common method and data standard for each would be helpful.
- 11.2 Further, the timing of provision of this information from third parties will need consideration, particularly as it may have an impact upon the individual's tax liability. For example, how frequently will banks / building societies report interest to HMRC?

**12 Question 13: What new sources of third party information would most enhance the customer experience and best contribute to the aim of ending the tax return for all?**

- 12.1 New sources of third party information would obviously be welcome if the information can be linked to the correct taxpayer, passed to HMRC securely and without cost to the taxpayer, and its accuracy can be vouched. Other sources of third party information might include:
- State pension and benefits;
  - Chargeable event gains;
  - Gift aid payments;
  - UK rental income from lettings agencies (although under MTD the taxpayer is being expected to report this quarterly if the income exceeds £10,000 per annum). Note that the taxpayer will need to have the facility to add additional

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<sup>8</sup> The Common Reporting Standard and the Foreign Account Tax Compliance Act.

expenses connected to the property; these will not be known to the lettings agency.

12.2 It makes sense for state pension and benefits to be fed in first as this data is already held by government.

12.3 HMRC has suggested that investment managers' annual tax packs should be sent to HMRC so that income, including dividends and interest, together with capital gains and losses could be fed direct into a taxpayer's DTA. We think this could be fraught with issues and would urge HMRC to drop this option until there has been significant simplification of the taxation of investment income and gains to tie in with MTD.

12.4 Examples of issues include:

- Shares in one company may be held through different nominees, eg through an investment manager and through an employer. No one of these would have the full picture and so the gains and losses need to be recomputed, usually by a tax adviser, who would also consider available reliefs.
- Some tax packs may not identify the full tax effect of a transaction.
- The treatment of a transaction may be in doubt, for example when a tax case decides against the previous accepted practice. It may take time for investment managers, who are not usually tax experts, to reflect this.

HMRC's systems would need to be able to deal with such complexities; otherwise DTAs will be incorrect and lead to a significant burden.

12.5 It might seem attractive to prepopulate details of pension contributions, but this too would need to be looked at carefully. Taxpayers would need to be able to demonstrate that they have unused relief brought forward or the expected level of their income (ie whether over £150,000) to enable the calculations of available relief to be correct. This may be something best left to taxpayers.

12.6 It is not clear whether HMRC will be using the data coming into them from overseas via Exchange of Information Agreements and the CRS to pre-populate DTAs. There would seem to be no reason why this cannot be done assuming that the data can be correctly linked to the taxpayer it belongs to. However, there is much greater scope for this information to be inaccurate (for example it has been allocated to the wrong individual), and hence greater importance for the taxpayer to be able to override the data in their DTA.

12.7 Ultimately, though, we consider that there will always be some level of information that the taxpayers may need to report to HMRC, which has not been reported under MTD or by third parties. There will need to be rules and procedures for providing this information, and certifying the various material within a taxpayer's DTA. We do not believe that it will be possible to 'end the tax return for all'.

### **13 Question 14: How can we best open up discussions and begin to work with new potential information providers who are not currently providing information to HMRC on a regular basis?**

13.1 It would seem that a good starting point would be to open up discussions with potential information providers such as estate agents and property managers in connection with real estate.

- 13.2 We would encourage small scale pilots to take place with each new information provider, to ensure that these systems are workable and accurate before they are rolled out to all taxpayers.

#### **14 Acknowledgement of submission**

- 14.1 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.

#### **15 The Chartered Institute of Taxation**

- 15.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. 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. 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.

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. The CIOT's comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT's 18,000 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

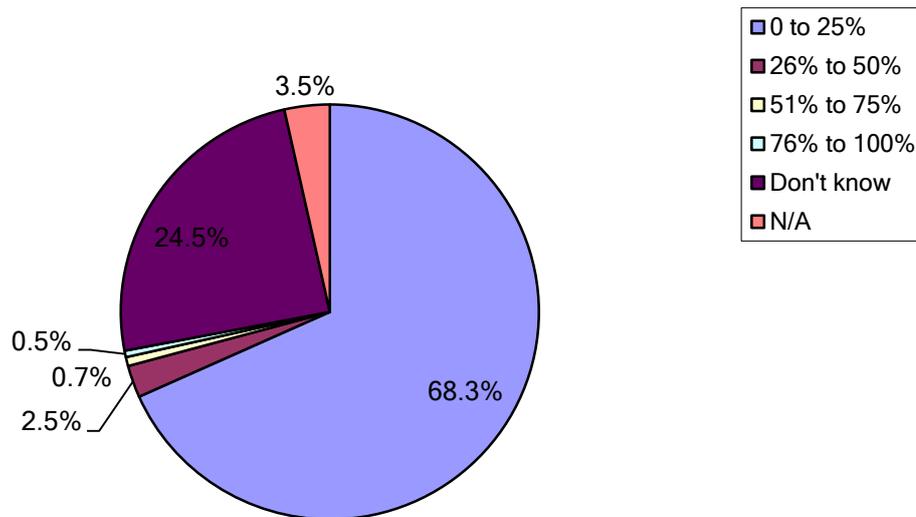
The Chartered Institute of Taxation  
7 November 2016

**Appendix One**

**Relevant CIOT / ATT survey questions and responses**

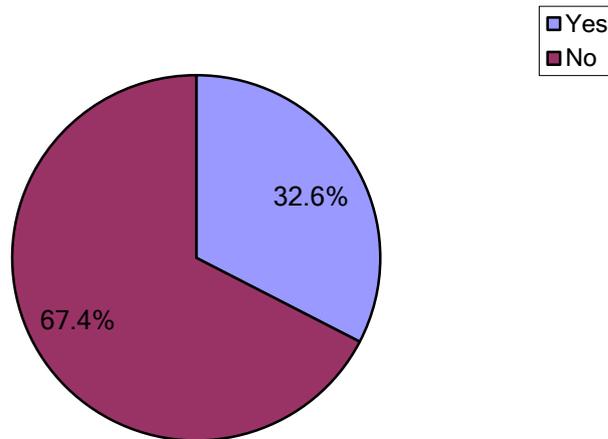
**Summary of responses**

**‘Approximately how many of your clients have accessed their own personal or business digital tax account?’**



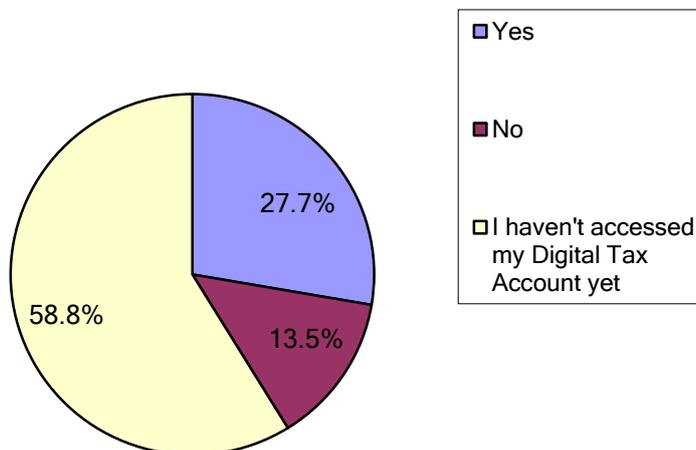
Answer Options	Response Percent	Response Count
0 to 25%	68.3%	735
26% to 50%	2.5%	27
51% to 75%	0.7%	7
76% to 100%	0.5%	5
Don't know	24.5%	264
N/A	3.5%	38
<i>answered question</i>		<b>1076</b>

**'Looking at your own situation, have you accessed your own Digital Tax Account yet?'**



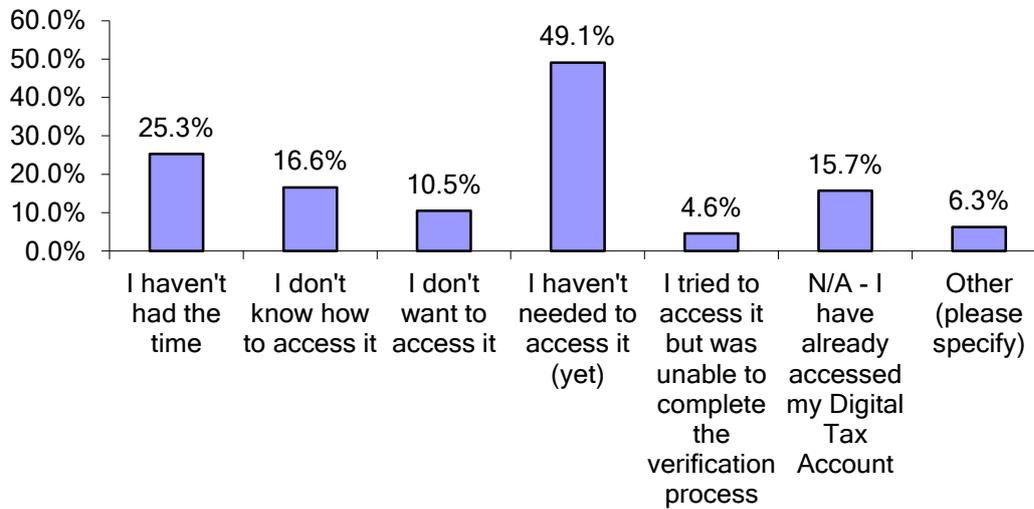
Answer Options	Response Percent	Response Count
Yes	32.6%	345
No	67.4%	712
<i>answered question</i>		<b>1057</b>

**'If you have accessed your Digital Tax Account have you found it easy to access and use?'**



Answer Options	Response Percent	Response Count
Yes	27.7%	235
No	13.5%	115
I haven't accessed my Digital Tax Account yet	58.8%	499
<i>answered question</i>		<b>849</b>

**'If you have not accessed your Digital Tax Account yet what has stopped you accessing it?'**



Answer Options	Response Percent	Response Count
I haven't had the time	25.3%	216
I don't know how to access it	16.6%	142
I don't want to access it	10.5%	90
I haven't needed to access it (yet)	49.1%	420
I tried to access it but was unable to complete the verification process	4.6%	39
N/A - I have already accessed my Digital Tax Account	15.7%	134
Other (please specify)	6.3%	54
<i>answered question</i>		<b>855</b>

**Appendix Two**

**Comments from members who have not found their DTA easy to access or use, why they have not found it easy**

Cannot switch between different taxes. No easy way to navigate. Login is cumbersome with extra security.
HMRC had vastly over-estimated my income because it had assumed that an annual annuity payment was going to be paid on every day for the remainder of the tax year, and it would not allow me to update this income figure to the correct amount online - so I had to spend ages in a queue calling HMRC, which still didn't get the matter resolved, and subsequently email them, which did (eventually). It also meant that the PAYE code applying to my main income source was adjusted to remove my PA, so I was paid incorrectly until the matter was finally resolved, causing cash flow issues. This sort of thing is why HMRC cannot be trusted to properly deal with information that they receive from third parties.
Not straight forwarded enough, and it appears to take you round in circles when adding additional services, not enough breakdown for selections
It relies on a mobile phone signal which I do not always have. I have an app to get round this for regular texts but those sent by the digital tax account for whatever reason do not seem able to use this alternative.
I was not able to complete ID easily so gave up
If I did not work in the industry I would not know that the DTA existed!
Verification process too complicated.
took a while to register and there seemed little benefit once had done so
It is easy to navigate but the problem is that it isn't working yet. I attempted to claim a tax rebate based on subscriptions/travel I had paid out and when I called HMRC, they had not received any of the information I had uploaded and they posted a paper form out to me!
Because the only method of logging on, until recently required the use of a mobile telephone, and I did not think the system was secure enough.
No time
Cannot verify my ID as I don't have PAYE income or a British Passport so I am prevented from having a Digital Personal Tax Account
Just wasn't really necessary, no better than the current way
I keep my own record.
I had no idea I even had a digital tax account.
Unsure how to access.
Haven't had time
I have zero interest in it
Time constraints
Didn't know I had one.
Unable to meet id tests and unable to obtain assistance so have given up
IOM resident
It was easy to access and use except that I appear to have a duplicate government gateway record so not everything was accessible and I have no idea at the moment how to sort that out.
I don't know what it is
Two step verification is going to be challenging for the vast bulk of people, interface is not easy to access
I have more important things to do.
Too busy
Complicated phone back system required prior to entry
difficult to access and of no use to me
Not accessed it yet
When I tried it just gave me my agent's login, not my personal tax information. Useless.
Verification will cause problems for agents

<p>I needed to make a self assessment return after being out of the system for a number of years. The two stage verification was intensely irritating The process failed at the requirement to use an id verification app involving photos of my driving licence as there was too much glare off of the surface of the licence (its shiny - what did they expect). I gave up and was able to log in directly into the old self assessment site eventually bypassing the new procedure. If anyone had to set up a new account / had lost the password I could see that it could be virtually impossible to use.</p>
<p>too much security, and the website is not the most user-friendly</p>
<p>Don't think it is particularly easy to navigate for someone unused to dealing with HMRC.</p>
<p>I found it easy to use, but I would not expect to be accessing it on a regular basis.</p>
<p>Not got around to it</p>
<p>Concerned by the amount of information required to set up the account and specifically the risk from hacking.</p>
<p>IRRELEVANT</p>
<p>no facility for freeform secure email between me and HMRC</p>
<p>tax code information does not include cumulative/week 1 data</p>
<p>pension forecast not available</p>
<p>does not handle NIC deferment</p>
<p>no, I'm an employee and have not looked yet</p>
<p>Always crashes on the verification question</p>
<p>It's badly designed, log in is poor</p>
<p>Tried to cancel my Child Benefit. After selecting that option it then asked me which bank account I would like all future Child Benefit payments to go to. I wanted to cancel the payments, not continue or reinstate them!</p>
<p>The logging in process was complex and the data available was superficial and not worth the effort.</p>
<p>I find HMRC website non user-friendly</p>
<p>Problems with 2 step verification - poor mobile signal. Need to go through same procedure again each time you want to look something up</p>
<p>It's difficult just trying to get it open. Activation codes do not arrive in the post and the number of registration numbers you need is ridiculous</p>
<p>My self assessment wouldn't show as said I was logged in somewhere else - I am not</p>
<p>I have not tried as I do not have the need to</p>
<p>Preferred the old format</p>
<p>long winded verification process</p>
<p>because I understand tax</p>
<p>As returns are handled and submitted via a professional advisor the information and details available were very limited last time I looked.</p>
<p>In the main, though it is still early. I have accessed for other individuals and note that in some instances the security checks did not work.</p>
<p>Tried when there was a problem with the Revenue a few months ago, requested new password, nothing received, will try again with old password.</p>
<p>It took a while to get my Govt gateway records as I set it up ages ago. I don't get the logic of GG accounts -and I have been using them for ages! Once I got there I found the data was wrong - it shows I am employed but I am not</p>
<p>Whist easy to use, the set up process was long and complex, and likely to put many individuals off.</p>
<p>I am registered as my own agent and have no need to use my digital tax account, it does not tell me anything I do not already know</p>
<p>My individual Government Gateway ID from 2002 if used puts my agent ID at risk. HMRC lost my record as agent due to this when HMRC was transferred to gov.uk. I still have an ongoing issue re filing returns using HMRC software.</p>
<p>Not tried, it has not been made clear how to.</p>
<p>Very clunky and hard to navigate. HMRC seem to find it hard to understand what areas agents/taxpayers want to review most. This is why agents are needed to help taxpayers</p>

I seem to have lost me password for my gateway and it just seemed too much hassle to request a new one,,,&
None of the details entered were accepted by the system
Easy to use but access was over secure. User ID is unique and un-guessable, so that + password is reasonably secure. I then received a code by SMS to enter on screen, which makes it very secure. However, I then needed to dig out some personal information (P60, which the system did not have the matching data) and payslip in order to actually get in.
This last stage, after the 2-factor identification from the SMS code, is totally unnecessary and annoying.
The information is limited and often misleading
tried to log in but needed my passport which was not to hand
HMRC don't state all the information you need at the start for signing up. Eg, Passport or P60... I had spent 5/10 mins filling out my details, then they say to confirm your ID, they need your P60 / Passport. I had neither. So had to start the whole process again when I got home hat evening.
I can access my agent portal with relative ease but mine seems to outwit me every time!
I am on PAYE and am not obliged to submit tax returns.
Not user friendly, cumbersome, and with errors. To be fair, it is still in its early stages of development, at least I hope so.
Understood it was HMRC choosing the businesses who could test DTA's.
The step access approach is long winded, text sent to mobile phone relies on 1, credit, 2, charged 3, you know where to find it. Making a cup of coffee whilst you wait for the text to come.
not accessed it yet
When I first tried to use it there was only a mobile phone option for verification. I did not have a mobile phone at the time. They then changed it so you could register a landline. As I was at work at the time I registered my work landline (not very intelligent I know but I wanted to see what was in this wonder account). I then found out I needed my P60 or payslip. I had neither with me and since then to be truthful I have lost interest. I was very unhappy having to give my details originally to a digital verifier - I chose the Post Office. These are details I would not want holding by any one provider as they are worth a lot to some hacker and I am not comfy with them having it. How do I know that their server is properly protected and the access rights of their staff to my details. An accident waiting to happen.
No gateway account
Too onerous
Access is unnecessarily complicated and it is very limited on what can be done.
I didn't notice any difference at the moment other than the change of addresses section didn't work for some time.
It was not at all easy to access until available via the Gateway.
It had my income out by £66,000. Not impressed
The two step verification is onerous and was not clearly explained (some months ago now). Very little information on it at present to tell
Too many gateway numbers and passwords to keep track of so just use my agents numbers
could not access it on a number of occasions
I have not tried yet.
Although I have accessed the account once, I found little of use on it and I have already forgotten my password.
Not been given any details as to how to access it?
It's too difficult to access
Not yet had time to do so
because my govt gateway log on no longer works
I am retired person with savings and rental income and have not looked for my Digital Tax Account. When I came to file my 2014/15 tax return and pay income tax in January 2016, it defeats me how any non-tax person can understand it. It is a complete disgrace.
There are too many security questions and it needs an access code every time

<p>My main source of income id dividends.</p> <p>I also take a small salary</p> <p>The forecast of my earning and tax position is misleading.</p> <p>They have not included dividends and despite my wage being the same each month since April and this reported to them each month by RTI, they have ignored this and just forecast my previous years figure which is too low, as I got a wage increase in April.</p>
<p>Clunky graphics. Self-employed tax is kept in a business tax account and not the personal tax account. That is absurd.</p>
<p>On several occasions the two step verification has not worked, with text messages taking several hours to come through effectively locking me out of the system.</p> <p>My businesses VAT and PAYE records were added to my own personal tax account, but I had to create a separate tax account for the company's Corporation Tax. There followed a protracted period of calls and letters to have the VAT and PAYE records matched up with the CT records.</p>
<p>Cannot be bothered and NOT interested really as in PAYE</p>
<p>Ridiculous and unnecessary security measures ie verifying your identity which can only be done if you have necessary paperwork to hand.</p>
<p>I have set myself up as a client of the practice, so use the agents log on.</p>
<p>not at all user friendly</p>
<p>I could not see income tax and VAT at the same time</p>
<p>Laborious set up process</p>
<p>I don't know whether I have one and the two stage access has already proved difficult.</p>
<p>Login/verify process is horrific</p>
<p>I am not aware we have one</p>
<p>Very easy to tell HMRC about additional income/sources of income but could not find a way to tell them about additional reliefs which could be coded out in the current year, eg pension contributions or gift aid</p>
<p>It was wrong, had large amounts of information missing and did not inspire confidence in the HMRC systems</p>
<p>I got in successfully when I registered but cannot get in easily again and it has taken too much time to work out what is wrong so I have given up.</p>
<p>I have no intention of using it!</p>
<p>Verification process tricky initially. Took several attempts to 'verify'.</p>
<p>Again, the question should have been in two parts. Yes, it was (relatively) easy to access but I had no use for it!</p>
<p>Don't agree with forced migration to digital.</p>
<p>Level of security questions.</p>
<p>Password too long</p>
<p>I got lost in the verification process - got directed to the post office for some reason and then had to back track to avoid doing the post office thing.</p> <p>Also once on it I tried to stop receiving child benefit as I exceed the income threshold. Clicked through and got another form which required me to enter all my details. Given that all of the info requested was already in my DTA and I'd just passed 19,000 verification checks what is the point??? very frustrating</p>
<p>As my own agent I didn't have my own government gateway only a firm one. I therefore had to obtain this. Insufficient in the account at the moment to make it of any use.</p>
<p>Getting into it the first time was a real faff. I eventually found all the bits of info they asked for and got to the last screen and it said system down come back later!! Why not say that on screen 1 and save my time. I then gave up for months. It then seemed to think some of my data was wrong, but they had it wrong. Eventually got in. It all seems a fuss about not much there. The state pension prediction is useful and made me tempted to retire. The chart of where my tax goes just makes everyone cross. What a waste of time.</p>
<p>Seems information light</p>
<p>I have tried, but floundered rather round HMRC's website, and I didn't realise that everybody already had an account. I must try again. As you'll have gathered, I'm a little frustrated at having to spend time on new tricks, when tax is already very complicated, and there's so much else clammering for attention.</p>

As a practising accountant the information I already have is sufficient for my purposes
Overall poor design of the starting process made worse when trying from an area with very slow internet and no mobile telephone
I logged in once and found it difficult as needed passport/NIC plus verification of my identity to a third party I was uncomfortable with. Tried to log back in and could not remember any details so gave up.
HMRC managed to get my Dad's tax wrong - he has a pension and two shares. If that is wrong, I don't trust them to get this right at all
The initial verification , no driving licence or passport
Difficult to locate certain information
Not always easy to get code sent; very erratic service; and our mobile signal is good.
Why two sorts: business and personal? adds confusion
HMRC sent me a couple of emails but did not progress further so I assumed it had not worked
Security makes it difficult to access and there is limited functionality. I tried to access for self-assessment and was not able to do this linked to my account.
Password access system kept changing and information not up-to-date.
No idea how to access as I'm not required to file a tax return
It was inaccurate!
Because I'm a CTA and I'll cope with any format. But I don't think it's better than it was.
A text pass code has to be obtained everytime you log in. The main page looks different and not that easy to navigate to self assessment, but when you get there it is just the old system as before.
The only information on my digital tax account was a PAYE coding notice attempting to code out underpaid tax. I have been self-employed for four years, and all tax has been fully settled through self-assessment. So the information in the digital tax account was 100% wrong.
does not make any sense to me
The need to have your P60 or passport with you when you set up government gateway is a problem when trying to set up doing break at work.
It is too early
Tortuous navigation (like all gov.uk sites)
It took an age to go through process and seems hit and miss with the detail I can extract - user error maybe.
I tried to verify my identity and although the third party software work HMRC still didn't believe it was me. so I gave up and access via my agent login
The set up was awful. The 2 stage authentication just did not work for months. The site is buggy and rarely has sufficient information other than 'n/a' or 'look on.... for the information'. The stuff that does work is useless data such as how much NI I've paid or what percentage of tax goes where etc. This really is not relevant to most people in their everyday lives.
Because HMRC have inadequate procedures to allocate payments quickly and accurately to tax payers' accounts
I understood that those who have an agent do not have a Digital Tax Account. My own firm is my agent. So I can access my record through that.
Problem with logging in - I wanted to update my tax code and I could not. In the end I had to do it by telephone.
In my profession I access HMRC website on a daily basis, several time a day and I can't see what my clients can see so it makes it harder to resolve matters.
Internet access where I live is not reliable.
No PAYE coding notice were visible. No information to help complete tax returns was available.
<b>MORE ELECTRONIC RUBBISH</b>
Setting it up was a trial, but I was an early adopter.
The information is wrong in my account, very out of date information (which I'm leaving be to see how long it takes HMRC to get it right)
I see no benefit of knowing the contents, though the one off review of my pension was useful
Time, don't want to, not clear how, been bought in without clear explanation of benefits to me, yet more passports and ID to remember or forget/lose.
Not as much information as I was expecting

It is a pain to set up access.
It looks like it is set up for a 5 year old to read.
Not easy to access on the go when additional security tiers require passport information. I don't carry my passport with me on a daily basis but may wish to access my DTA at work!
No reason yet
Don't need to my affairs are simple
I have no other reason to register for online services and my tax is dealt with correctly through PAYE
I obviously find the HMRC site easy to access but the whole government gateway thing is a bit of a nightmare. I have been on but currently I cannot find my user code so face having to request it again I think?
Too many areas.
Why do I need a Digital Account?
No need to have done so
It is very hard to find anything on the tax account and if you go to the wrong section it is hard to get back to where you started.
Too much security & no ability to change incorrect information
Last time I had to log in I needed my phone and passport to hand which I didn't have - it felt like a bit of a pain and it put me off accessing it until later. I would prefer just a password.
Too busy.
It's easy to use but a lot of it is fairly pointless.
Do not have one
Stupid security measures. I have no mobile signal at home and HMRC text me a code to log in....I can't get it!!!!
I have Government Gateway access but when I tried to find my Digital Tax Account I could only find the option to register for Self Assessment, which is not appropriate for me. This was earlier this year.
Found the log on verification irritating and time consuming.
I find the ring back authentication restrictive and disruptive
Prefer to use the existing online account where it is easy to navigate to where you need
1. Complex logging on process. 2. Not integrated with historic information. 3. Will not accept nil as an estimate for the current year. 4. Cannot designate which PAYE source is the main one (I have not yet had any earnings from my 'main' source, but might have a modest amount by the end of the tax year).
Have not had the time to do so.
found it limited
do not know how to access
Security checks are ludicrous .I gave up (after about an hour) because it wouldn't recognise my mobile phone account (Vodafone which I've had for several years)
I can't seem to get the log on information to be sent to me.
I have set it up to use but not gone back to it yet!
It does not have any relevant information all info shown on it is approx. 2 years out of date
Not much useful information on my Digital Tax Account.
Takes too long to log in with the complicated authentication requirements
Problems with set up and little reason to refer to it so far as info is available elsewhere.
Accessed only to gain knowledge of the process in order to assist clients when they ask about accessing their own accounts.
More than happy to just use agents pages online - for both my clients and myself (I'm registered as my 'own' agent). Unfortunately I've found out to my cost that I still have to use the normal, personal, way of contacting HMRC if I want to discuss my own affairs!
Already contains information I know
It looks like a patch of various HMRC websites. A fundamental rethink is needed to make sure the design is intuitive for tax payers who do not understand tax
Took me 10 attempts to verify
Several error messages resulting in a call to the helpline.