

3 November 2022

Victoria Atkins MP, Financial Secretary to the Treasury  
HM Treasury  
London  
SW1A 2HQ

Dear Minister,

## **TAX PRIORITIES FOR THE NEW ADMINISTRATION**

May I on behalf of the Chartered Institute of Taxation congratulate you on your appointment.

The CIOT is a charity and the leading professional body in the UK solely concerned with taxation. We have worked constructively with your predecessors and we continue to offer you and your officials our support and assistance in developing the UK tax system. Our Low Incomes Tax Reform Group is especially active in trying to make the tax system more responsive to the needs of low income workers, pensioners and other potentially vulnerable groups of taxpayers.

The Government has identified a number of tax and spending priorities and we look forward to hearing a further update in the Autumn Statement.

However, alongside the decisions around rates and thresholds there are pressing issues around the administration of the tax system which also deserve to be treated as a priority. We believe that unless these are addressed the tax system will become less efficient, harder to comply with and less effective in both raising revenue and supporting taxpayers.

To get the tax system working better we think there are three things in particular which need doing, and which would command wide support among both taxpayers and their advisers.

### **(1) Prioritise investment in HMRC to improve performance**

A properly funded and efficient HMRC is vital to the future of the UK, ensuring that tax revenues are collected efficiently while the UK tax authority supports business in the drive to improve growth, productivity and trade. However, currently, HMRC's performance standards are falling badly short. They must be improved if HMRC is to play its essential role in supporting taxpayers and businesses.

When we wrote to your predecessor in September we included a number of examples such as -

- An adviser who submitted a VAT reclaim for a client at the start of May and was still waiting for the claim to be processed. They were told it will still be a 'very long wait' as HMRC were at that point still dealing with claims made in February. The taxpayer in question has cash flow problems and needs their refund urgently.
- A formal complaint regarding data matching and RTI (PAYE) submissions, where a firm wrote to HMRC in April 2021, November 2021 and again in May 2022 with no reply received as of mid-September.
- An adviser who submitted a voluntary disclosure for a client eight months previously, in relation to the Construction Industry Scheme, where no proper response had yet been received.
- An adviser who posted a completed agent authorisation form (64-8) to HMRC four months before but was still waiting for it to be processed.
- An adviser who had been told that HMRC would take 180 days to deal with the transfer of a VAT number between two entities.

These are far from exceptional. There are many other examples that could be cited, including people and businesses who have waited for tax refunds for over nine months, in circumstances where an immediate repayment was required by law, or other taxpayers in similar circumstances have had repayments.

Our members continue to tell us of the delays they face getting answers and action from HMRC, increasing interactions and complaints – and the impact this is having on businesses and individuals. In a letter sent in June to HMRC's Director General for Customer Services, sent jointly with the ATT, ICAEW and ICAS, we identified a number of particularly problematic areas, including, but not limited to, self-assessment registrations and refunds, correspondence about VAT grouping and the option to tax, section 455 refunds, responses to technical queries, corporation tax post and returns not processed. Problems continue in most of these areas, and new ones have emerged as HMRC's resources are redeployed onto other priorities.

It is not simply that targets are being missed. Some targets are not fit for purpose even if met. For example the target for section 690 determinations (under which HMRC give an employer permission to exclude a portion of the pay of an employee who is not UK-resident from the operation of UK PAYE) is four months. That in practice means at least five months, and more likely six months, that a taxpayer will suffer double taxation, as their pay will usually be subject to withholding in the country that they are resident in during this period.

We recognise that HMRC, like everyone else, can always be challenged to become more efficient. As a critical friend of HMRC, we support policies to improve its effectiveness and efficiency. However, in the move to digitalise the tax system (see our next priority below) we are concerned that staff numbers within HMRC are being cut in anticipation of securing savings from digitalisation when these savings have not yet been realised, with the result that delivery of existing performance standards has been compromised.

The Government should undertake to maintain HMRC's existing resources and capabilities, coupled with a more ambitious mandate to improve standards of basic performance across the full range of HMRC activities including answering telephone queries, dealing promptly with correspondence, investigation and compliance activity and timely processing of new tax registrations and agent authorisations, as well as ensuring that these improvements are sustained for the remainder of the life of this Parliament. The investment required to sustain these improvements is urgent and essential, not just for taxpayers but for the sustainability of future government revenues, so should not be put at risk by any new wider public spending cuts or constraints.

## **(2) Review Making Tax Digital**

The flagship programme to improve the efficiency of the tax system is Making Tax Digital ('MTD'). We agree that, in principle, digitalisation offers the best way to improve the efficiency and effectiveness of the tax system, improve HMRC's performance and enable it to provide better support for taxpayers trying to do the right thing. However, there are serious concerns that the timetable announced to achieve this is becoming unrealistic, because:

- the obligations that taxpayers will have under MTD are not yet clear and there remain significant technical challenges (for example the mechanics of corrections) that need to be overcome;
- there is limited choice of approved software available to taxpayers; and
- this is affecting the number of taxpayers willing to take part in the pilot, so the new approach risks being rolled out without proper piloting.

The Government should undertake an early review of the current MTD programme and its implementation timetable in the light of lessons learned since its announcement in 2015, and the current digital landscape. It is more important to get this right than to stick to previously announced timescales. The Government should work with stakeholders to identify areas of risk with the current strategy and whether changes (possibly including more phasing and descopeing) can be made to ensure that MTD can be launched successfully and be built on as experience develops.

### **(3) Simplifying the tax system**

The UK tax system has become far too complicated for taxpayers to understand and comply with. A complicated tax system is harder to digitalise, as well as making it more challenging for HMRC to administer it effectively.

The pace of change in the tax system is such that software solutions are lagging behind. In 2015 the Government published its vision that by 2020 every individual and small business would be able to see and manage their tax affairs through their digital tax account, removing the need for annual tax returns. However, seven years later this vision appears to still be a long way from reality, and we note that the project is rated red in the latest annual report on [Government infrastructure projects](#).

In *The Growth Plan* the now former Chancellor announced the Government's intention to abolish the Office of Tax Simplification (OTS).

We think this is unwise. I have written to the new Chancellor asking that the Government reconsider this decision. (A copy of my letter is attached.)

As I wrote in that letter, if the OTS is felt to have been insufficiently effective so far, there are a range of ways in which it could be strengthened. It could be given a greater role in scrutiny of new proposals. It could take on post-enactment review of new legislation. Reforms such as these would genuinely help embed tax simplification across government.

In our view the OTS has a key role to play, alongside renewed ministerial commitment and focus from Treasury/HMRC officials, in delivering the ambitious tax simplification programme that the UK needs. We would encourage the new administration to resist the temptation to make major structural changes to the tax system until this programme has been carried out. Priority should be given to the development and roll-out of the single customer account based on the principles which were published in 2015.

We are keen to work with the new Government, HMRC and other professional bodies to effect improvements in the UK tax system, focusing initially on the three priority areas we have identified above.

We would welcome the opportunity to meet with you to discuss the issues we have raised in this letter.

Yours sincerely



Susan Ball  
CIOT President