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ACCA MEMBERS' SURVEY

Self-assessment 2004

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ACCA is the largest and fastest-growing international accountancy body in the world, with 320,000 students and members in 160 countries. ACCA has an extensive network of over 70 staffed offices and other centres around the world.

Our portfolio of qualifications is designed for today's international business environment. ACCA qualified accountants are known for having integrity, professionalism and thoroughly relevant knowledge and skills.

Our unrivalled access to companies, governments, regulators and practitioners across the world gives us a unique perspective on the needs of modern accounting and financial management.

We create value for the profession and the business community through our innovative approach to developing new qualifications and services and to raising awareness of sustainable development and corporate governance.

ACCA has conducted its 2004 survey of its members working in tax to find out more about their, and their clients', experience of self-assessment. Similar surveys have been conducted annually by ACCA since 1997 giving us the opportunity to measure whether our members' experience of self-assessment has changed for better or worse.

KEY FINDINGS

99% experienced problems due to failures in Inland Revenue (IR) systems or errors – the highest percentage since 2000.

12% filed their own returns via the Internet – an increase from 7% in 2003.

80% spent extra time on their clients' returns because of IR errors. Of that number, 53% had to write off the extra fees generated and only 15% recovered the full fees from their clients.

20% were late with some of their returns and 35% with some of their payments because of IR errors.

17% thought the time limits for filing tax returns unreasonable, 34% thought the fines unreasonable and 35% thought the surcharges unreasonable.

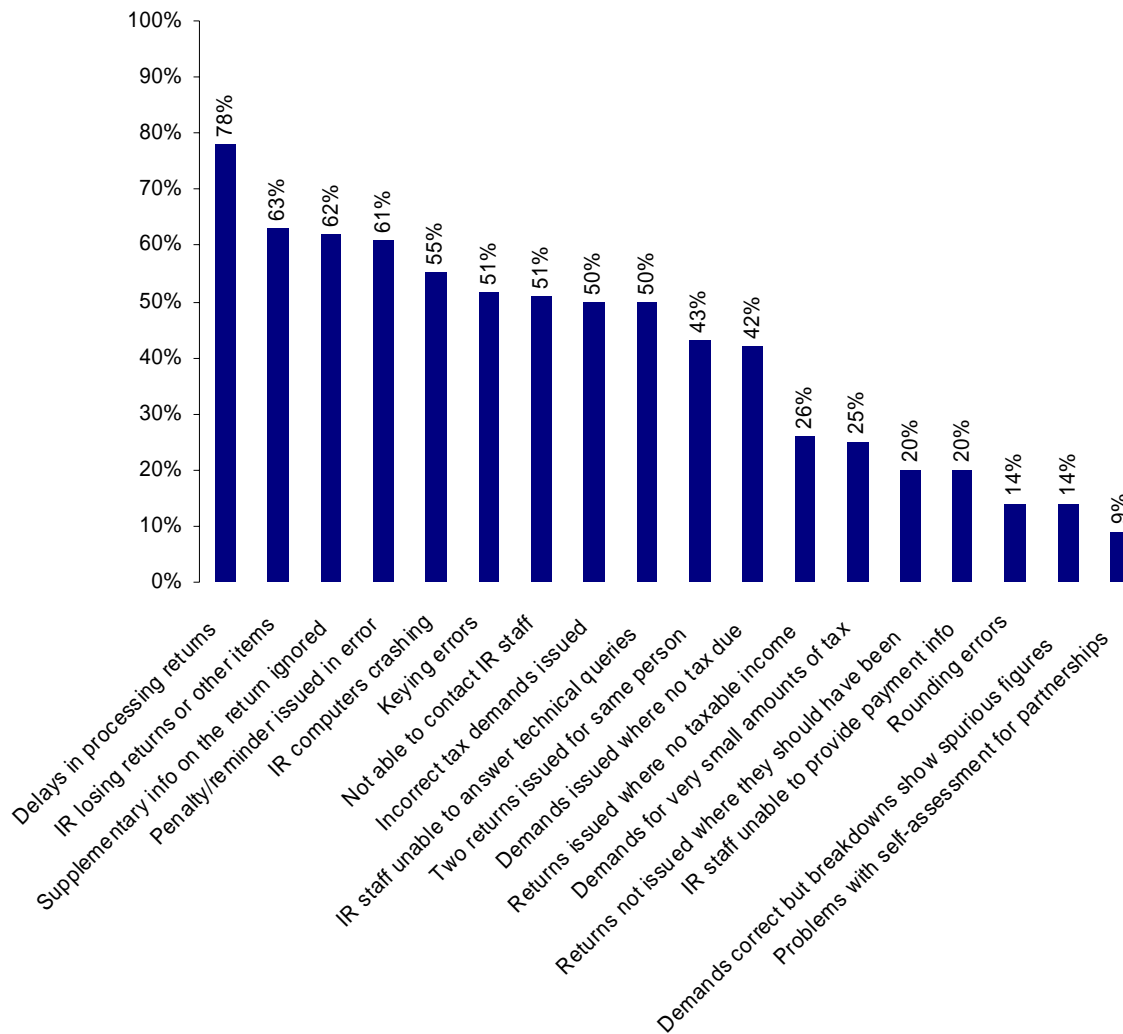
Asked how the system compared with previous years, respondents' most popular response, as last year, was that problems with the system remain (39%, an increase from 35% last year) and 38% believed no real improvement had been made. Less people this year thought the system had greatly improved (4% compared with 7%) but equally, less people thought the system had remained chaotic (3% compared with 6%).

Asked how the system could be improved, respondents focused their criticism on call centres, which they believed either need to be drastically improved with more, better-trained staff or to be abolished altogether. They also believed that accuracy would be improved by having better trained staff. They consider that the IR should process information faster, simplify forms and statements and use financial incentives to encourage clients to submit their returns on time.

INLAND REVENUE FAILURES AND ERRORS

We asked respondents whether they had experienced any of a range of problems brought to our attention by ACCA members. Results are shown in Table 1.

TABLE 1: PROBLEMS EXPERIENCED DUE TO INLAND REVENUE ERRORS OR FAILED SYSTEMS



The types of problems experienced were:

- Delays in processing returns – 78%
- IR losing returns or other items – 63%
- Supplementary information provided on the return being ignored – 62%
- Late filing penalty/reminder notices issued where return had been submitted on time – 61%
- IR computers crashing or otherwise out of use – 55%
- Keying errors – 51%
- Not able to contact IR staff – 51%
- Incorrect tax demands issued – 50%
- IR staff unable to deal with technical queries – 50%
- Two returns issued for the same person – 43%
- Demands issued where there was no tax due – 42%
- Returns issued where no taxable income – 26%
- Demands for very small amounts of tax (eg less than £1) – 25%
- Returns not issued in cases where they should have been – 20%
- IR staff unable to provide payment information – 20%
- Rounding errors – 14%
- Demands are correct, but breakdown shows spurious figures – 14%
- Particular problems with self-assessment for partnerships – 9%.

Other problems listed included:

- Cessation details not being picked up
- Enquiry started when IR had information showing that return was complete (CGT clearance)
- Failure to process change of agent
- Failure to process repayment claims despite repeated chasing
- Ignoring box requesting payments to agents and sending to client
- IR staff giving incorrect information
- Many reference numbers for same person
- Not issuing refunds even though Q19 ticked
- Problems filing by Internet
- Returns issued despite confirmation being sent to the Revenue that records had been closed
- Sent to wrong address.

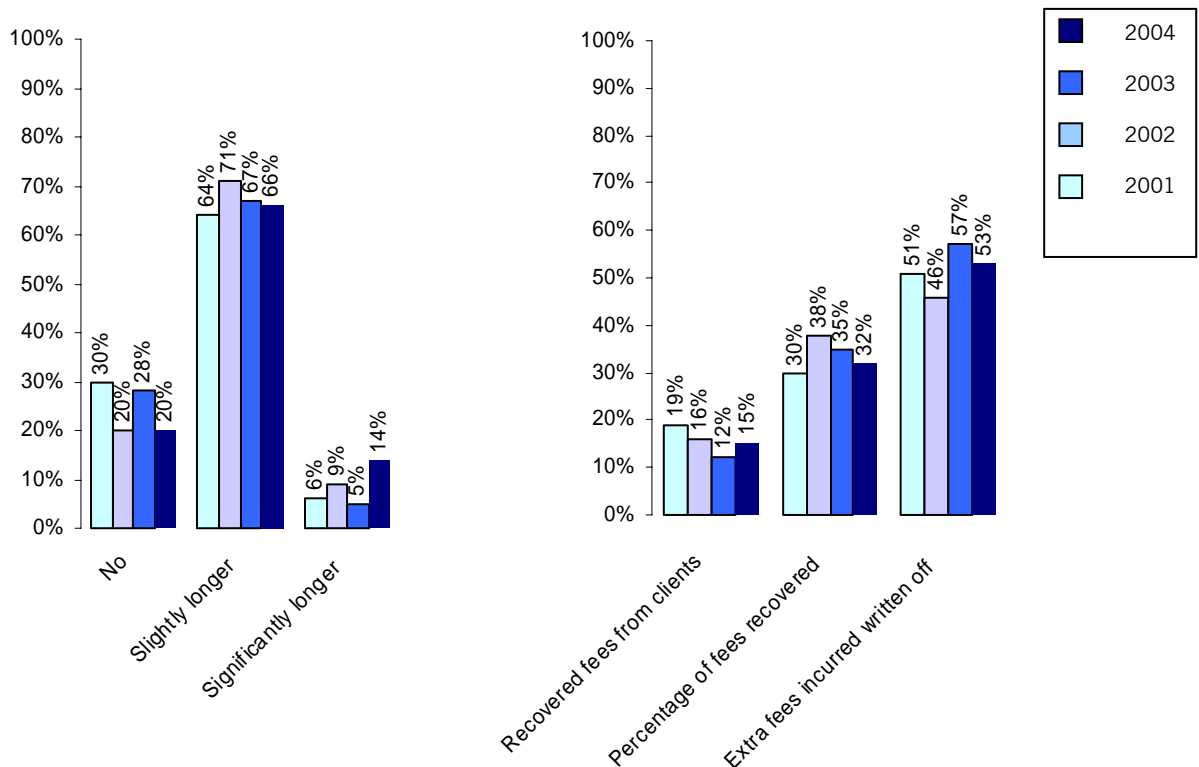
99% experienced problems due to IR shortcomings, the highest figure since 2000. In 2001 the figure dropped to 95% and, apart from a small dip last year, has been slowly rising since then.

FILING RETURNS VIA THE INTERNET

In 2001 the IR began to offer the option to file returns via the Internet. In 2001 and 2002 only 5% of respondents had filed their returns via the Internet, this figure rose to 7% in 2003 and reached 12% this year. Of this 12%, over half were satisfied with the system whilst others found it slow and confusing.

DELAYS CAUSED BY INLAND REVENUE ERRORS

Almost three times as many respondents had spent significantly longer on their clients' returns because of IR errors this year than last year. The proportion of respondents who stated that they had not spent additional time on their clients' returns because of IR errors has reduced by almost a third. The results for the previous four years are illustrated in Table 2.



DID YOU MEET THE DEADLINES?

We asked if members had been late with their returns or payments as a result of IR errors. The majority had not been late in either their payments or their returns. 20% responded that some of their returns were late and 35% responded that some of their payments were late. Tables 4 and 5 show the results for the past four years.

TABLE 4: LATE RETURNS

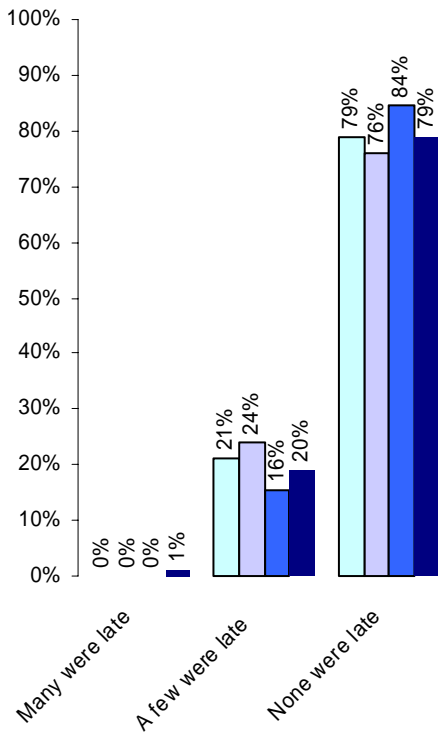
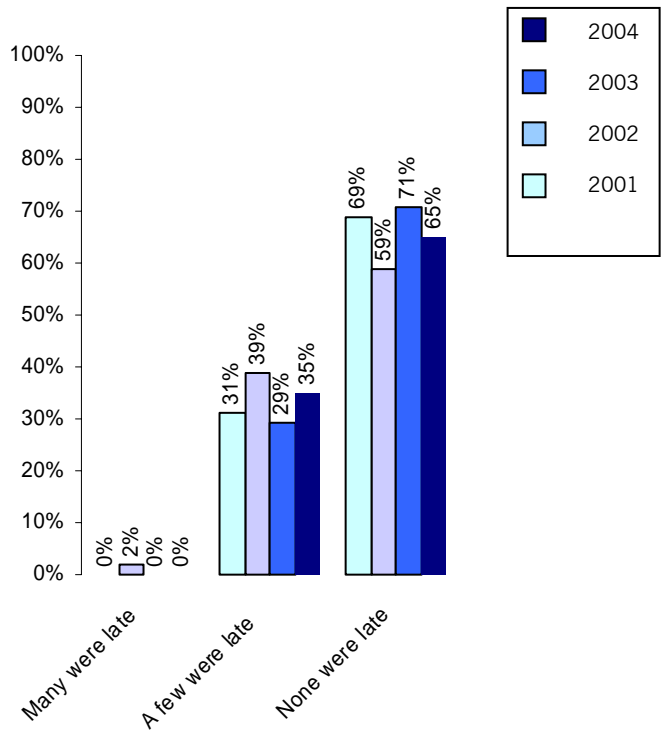


TABLE 5: RECOVERING FEES



WERE THE TIME LIMITS AND PENALTIES REASONABLE?

We wanted to see what our members thought of the time limits, fines and surcharges for self-assessment.

83% thought the time limits were reasonable (see Table 6 for results of the past four years), however only 66% thought the fines were reasonable (see Table 7) and 65% thought the surcharges were reasonable (see Table 8).

TABLE 6: ARE THE TIME LIMITS REASONABLE?

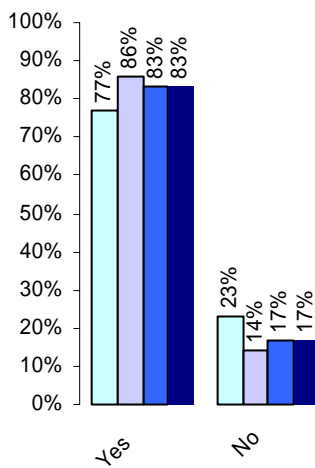
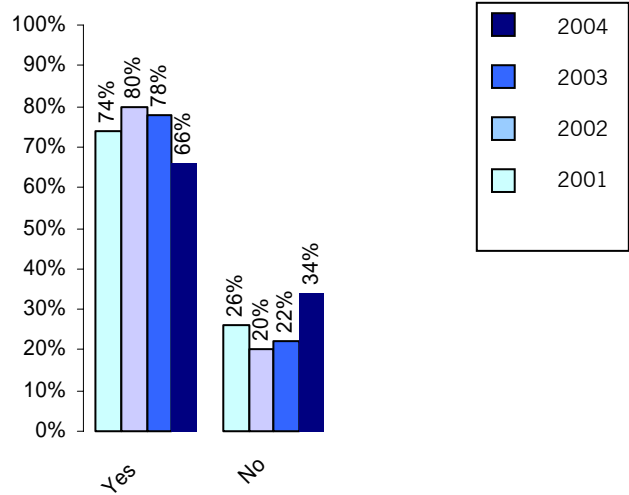


TABLE 7: ARE THE FINES REASONABLE?



Results show that generally respondents are happy with the IR time limits and surcharges but increasingly are growing dissatisfied with the levels of fines.

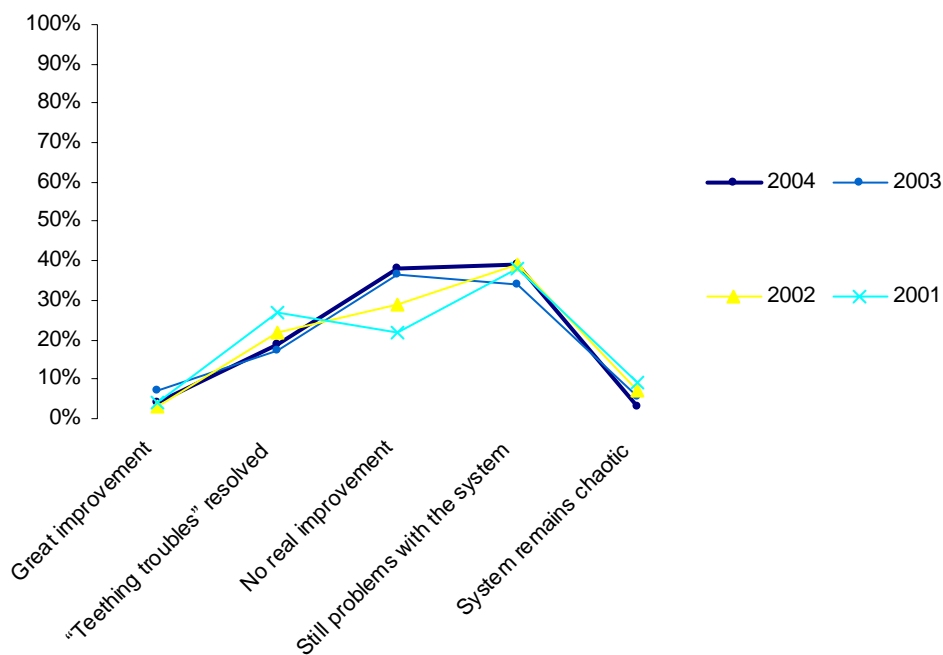
TABLE 8: ARE THE SURCHARGES REASONABLE?



HOW DID THIS YEAR COMPARE WITH PREVIOUS YEARS?

We asked our members to compare this year with previous years in terms of self-assessment. Only 4% believed a great improvement had been made compared with 7% in 2003, however only 3% believed the system remained chaotic compared with 6% last year. While 19% noted that initial teething troubles had been resolved, 38% believed there had been no real improvement and 39% thought that problems with the system remained. The results of the past four years are illustrated in Table 9.

TABLE 9: HOW DOES THIS YEAR OF SELF-ASSESSMENT COMPARE WITH PREVIOUS YEARS?



We asked our members whether they had any comments on the question of how self-assessment worked this year in comparison with previous years.

The most commented on aspects of self-assessment this year were connected with the IR's centralised call centres. Respondents complained about the difficulty they had in getting through to a member of staff and the lack of technical ability of staff when they did manage to get through. One respondent commented: "The move to call centres at the Revenue is a disaster. Very few people answering the phone have any real technical knowledge."

The IR's administrative systems also caused problems. Form 64-8¹ was either mislaid by the IR or not recorded on the IR's computer system, causing problems for members and their clients alike. Delays in processing self-assessment forms led to incorrect demands for payment and the amalgamation of local tax offices has continued to cause problems.

The Internet filing system has not been functioning as well as it could – on occasion the IR had not set clients up on the system properly, preventing respondents from filing their returns by Internet.

Some respondents questioned the competence of IR staff who in some cases gave out inaccurate information.

Clients also caused problems by bringing in their records late. Respondents thought their clients could be losing their fear of penalties, or feeling safe in the knowledge that their accountant would work overtime to make sure their forms are submitted on time.

WHAT IMPROVEMENTS COULD BE MADE TO THE SYSTEM?

56% of respondents told us what they thought could be done to improve the system.

Communication

The difficulty of getting in touch with the right people at the IR was the major area of concern for respondents. The increasing use of call centres by the IR has caused several problems. 31% of respondents who suggested improvements to the self-assessment system mentioned the call centres as opposed to 6.5% last year.

Respondents believe the telephone lines are often saturated at peak and off-peak times. One member commented: "The central telephone number for self-assessment queries is a nightmare."

Respondents suggested that more staff should be introduced to work at the call centres but also focused on the need for current staff to be better trained. Call centre staff were generally found to be unable to answer basic questions and were either unable or unwilling to transfer members to someone who could. In

¹ Inland Revenue form 64-8 is signed by the client authorising two way communication between the agent and Inland Revenue about the client's tax affairs.

addition they often did not have access to the relevant files and information, leading to frustrating delays.

Our members also wish that local offices were still available for direct contact. As well as making it easier to speak to someone with adequate technical knowledge, the benefit of having one person dealing with a particular case was noted.

Speed and accuracy

Respondents noted a significant backlog of returns to be processed by the IR. One of our members commented: "Some tax offices are still processing post from October; it's now March."

They were keen to see the IR speed up its processing and made constructive suggestions about how the IR could achieve this.

They suggested that the IR was understaffed – causing increased pressure which led to mistakes and missing paperwork. They also suggested that better staff training would improve the situation. For example, keying errors made by data input staff cause significant delays. Respondents noted that better training of data input staff would be beneficial. If they had a basic understanding of the figures they key in, they would be more likely to do so accurately.

Respondents suggested also that having a single tax office and one IR officer dealing with a particular case would prevent tax returns being sent to different processing offices and then being processed incorrectly or lost. Familiarity with the case would also allow the person dealing with it to spot obvious mistakes.

Respondents noted that the IR should check returns against the processed figure if a different tax figure is produced by the system to that calculated on the return – one of our members receives endless 'correction' notices where the IR has failed to process a figure on the return correctly.

64-8s caused problems. They were lost by the IR, not properly processed and not all offices have access to the database on which they're logged – this makes it impossible to communicate with the IR about a client.

However, one respondent commented philosophically: "A system is only as good as the people working it; even with a good system mistakes can be made."

IR procedures

Respondents suggested ways in which the IR's procedures could be improved:

- There should be better co-ordination between the Inspector of Taxes and Collector of Taxes in order that tax due can be offset efficiently.
- Enquiry notices should be linked to the time that returns are filed rather than the 31 January deadline. This would be one way to encourage people to make their returns early.
- The IR should ensure that tax calculations are prepared by 31 January for returns made by 30 September.

Incentives

Perhaps related to comments made earlier in the survey that clients seemed to be losing their fear of fines, respondents thought the IR could more proactively encourage people to send their returns on time. As well as suggesting that fines for late submissions could be increased, they made the kinder suggestion that discounts for early submissions could be introduced. They also suggested that accepting payment by credit card would be useful if the issue of commission can be overcome.

Simplicity

Respondents commented that the forms should be simplified. Specifically, as they did last year, respondents asked for a shorter version of the Capital Gains Tax pages. They also asked for clearer and simpler identification of the loss/relief set off.

One respondent noted simply: "Simplify the forms; simplify the language."

SUMMARY

ACCA's latest members' survey on self-assessment underlines that, in attempting to simplify the tax system, the Inland Revenue has caused greater problems to our respondents, both in terms of time as well as money. Dissatisfaction among those surveyed is the highest it has been in annual surveys conducted by ACCA for four years.

The research, conducted in February 2004, surveyed a representative sample of 80 ACCA members working in taxation throughout the UK.

In theory, self-assessment is good for business: it makes it easier to understand tax and improves competitiveness. In practice, however, our findings bolster ACCA's opinion that the systems in place at the Inland Revenue are encumbering the process and a review is crucial in the newly merged Inland Revenue and Customs and Excise.

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