

Consultation: Creating a 21st Century Tax System

A public consultation issued by HMRC

Comments from ACCA to HMRC

13 July 2021

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About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **233,000** members and **536,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com

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GENERAL COMMENTS

ACCA is required to work within its public interest remit, to pursue policy that will promote wider good rather than solely representing the interests of our members. We also set and maintain the standards of members operating within and advising private sector businesses on all issues, including those relating to tax reporting and compliance.

ACCA's report in September 2020, '[Foundations for a Sound Tax System](#)' identified three fundamental considerations which every tax system should strive for, and by which citizens can measure the success of governments and tax administrations in developing laws and processes. Government must consider simplicity, certainty and stability as the cornerstones of a good tax system. In the consideration of this reform, HMRC possesses the opportunity to build in greater simplicity, reducing barriers to compliance, offering greater accountability through transparency about what taxpayers owe and improving stability where counteracting measures can be reduced.

We would suggest that the three fundamental considerations - simplicity, certainty and stability - are used to support the reforms and the modernisation. As we recognise when describing these principles, "technologies change so the administration of tax systems will change. Improvements in technology can offer significant enhancements to both the efficiency and effectiveness of tax collection. Yet rushed or poorly thought through change can compromise those beneficial impacts" and consequently result in detrimental impacts on the economy and successful modernisation, and may result in a loss of trust in the tax system.

We would also suggest that to achieve the desired outcomes and modernisation it is vital that HMRC and the government ensures that sufficient time is built into any implementation timetable to allow for meaningful robust trials to ensure a modern sound tax system is simple, certain and stable.

In drafting our response to this consultation, ACCA surveyed 18 members in practices and other private sector organisations representing 3,980 taxpayers as well as holding an in depth virtual roundtable discussion attended by over 40 practitioners across the UK in which members discussed in depth the challenges and opportunities for progressive reform of tax systems and current challenges and complexities around customer interaction with the UK tax regime.

Members provided a range of comments around where the efficiency of existing regimes could be improved, offered anecdotal evidence and shared their hopes for a more user-friendly digital experience. It is important that changes to the tax regime are made with clarity of purpose with a clear expectation of what is required of taxpayers and in return, the standards which HMRC will uphold. Any reform must be based on clear primary principles of design and implemented from the most fundamental levels of legislation and process design. ACCA has worked closely with HMRC on the design and roll out of the new Charter and is keen to continue this work to ensure any new regimes are able to build trust in the tax system.

Challenges with the Existing Tax Administration Framework

1. Trust is a cornerstone of any tax system. The Public Trust in Tax survey¹, prepared by ACCA jointly with IFAC and CAANZ, surveyed the UK in January of this year, and while public trust in HMRC has increased since the publication of the 2019 report, it remains low compared to many countries in the G20 (although it fares comparatively well among the G7). In particular, trust is highest at higher income levels, where individual taxpayers are more likely to engage an intermediary to insulate themselves from direct contact with HMRC. By contrast, those at lower income levels will be interacting directly with HMRC's systems and staff.
2. It is of concern that 45% of taxpayers responding to our consultation survey said that they have partial or high levels of distrust in the UK tax system and HMRC's administration of it. Commonly cited issues were inefficient or outdated routes for customer engagement, inconsistent messages from HMRC staff when resolving queries, systems triggering unnecessary inquiries and the accuracy of data held within HMRC systems.
3. ACCA supports HMRC's view that a reformed framework should focus on simplicity, clarity and creating greater certainty for taxpayers. However, while our conversations with businesses would suggest that taxpayers would wholeheartedly welcome a reformed framework with these principles at its core, HMRC must ensure the basic functionality and accuracy of systems ahead of wholesale reform to the tax administration framework. Members were keen that groundwork should be laid for basic system functionality around data capture, turnaround of calculations and assessments, countermeasures for providing corrections and up-to date figures

¹ The 2021 survey results will be published in September 2021.

(without triggering superfluous inquiries) and basic levels of staff training on compliance, including embedding of the 'Charter'.

4. Another recurring challenge has been consistent and reliable communication with HMRC. While the recent relaunch of the agent dedicated line has been broadly praised, members (including those not in public practice) continue to highlight challenges caused by a lack of email based contact, staff comprehension of customer case history and basic compliance needed to deal with calls as well as closure of local offices. In many cases, agents found sending letters to be the most efficient method of contact which results in delay, not a hallmark of an efficient tax system. Members cite a knock-on effect to taxpayer morale as taxpayers cannot accurately track case progression with HMRC. In line with the stated objective to minimise the number different systems in use, HMRC must also consider more transparent and accessible CRM systems as well as mechanisms for taxpayers and agents to track customer engagement, case progression and HMRC decisions.
5. However, in designing a legislative framework for the future it is vital that HMRC does not lose sight of the fact that under MTD, taxpayers will, by design, no longer interact by default with HMRC or its systems. Instead, their first point of contact will be through software designed and distributed by for-profit third party developers. While the extent to which HMRC can influence the user experience of the software interface may be limited, the design features of the software will be driven by the relative complexity and stability of the underlying legal obligations on the taxpayer themselves. Calculation and assessment processes which are designed for automated operation, without the need for manual interventions or discretion, will ease the task of the software designers.

Improving assessment and payment

6. ACCA strongly welcomes HMRC's stated aim to minimise the number of different systems, processes and timeframes in order to create a more straightforward and

transparent taxpayer journey. Several members highlighted disputes with HMRC that were unable to be efficiently resolved due to HMRC systems producing different figures. Consolidating HMRC systems to create a single point for data access would grant agents and taxpayers confidence in HMRC and improve the ability of customer facing teams within HMRC to resolve queries and settle disputes confidently and swiftly.

7. It is vital that reform of the system focuses on helping taxpayers pay the right amount of tax in the most straightforward and efficient way possible. Led by the complexities of current regimes and fragmented legislation, members cite a growing perception that HMRC prioritises collection of overpayments at the expense (and additional resource when they must follow up repayments) of the taxpayer rather than invest in helping ensure bills are accurate.
8. The scope of this reform offers an unmatched opportunity to improve accessibility and engagement with the tax system. Simple changes such as allowing taxpayers and authorised agents to view all historical tax records would support advisors to help customers get tax right. Transparency, speed and ease of access matched against appropriate levels of security were highlighted as necessary considerations for achieving a modern tax administration. One member commented that *'with utility bills it is expected or anticipated that a customer may wish to switch providers at some point and the system allows for a smooth transfer. The flexibility can be built in for taxpayers to allow a smooth transition when they need to seek specialist advice ... or have concerns over the quality of their agent and wish to appoint someone new'*.

Members felt that such changes would also encourage taxpayer engagement with the single digital account, incentivising them to log on more regularly. This can also serve to support clients that may be digitally excluded but are able to receive advice from connected agents. Similarly, intuitive design such as allowing users to link

personal and business accounts would allow greater accessibility and visibility for taxpayers of the full scope of their obligations.

Use of Data and Information to Support Compliance

9. ACCA is supportive of HMRC's assertion that greater use of third party real time information could support efficiency and transparency in the tax system, although this is reliant on HMRC's ability to use this information to deliver assessments and estimations to customers in a timely manner.
10. Separately, members were keen that greater use of third-party data does not trigger erroneous investigations and that safeguards exist for where incorrect data is provided and corrections can be supported by taxpayer records. By definition, customers will have little control over third party data but should not face the time and cost burden of managing increased HMRC enquiries. Current issues were cited with dividend declarations, where agents found investigations were triggered routinely against corrections to prepopulated forms, despite appropriate commentary being provided in the additional information fields.

Promoting Compliance and Building in Verification, Sanctions and Safeguards

11. Trust, built on transparency and accountability, lies at the heart of a healthy relationship between a tax authority and the taxpayers and agents who interact with it. HMRC's Charter and the framing of its commitment to it are central to building this trust. In responses to our consultation survey, 33% of taxpayers felt they had little to no understanding of the Charter. Of the 60% that had some level of understanding many responded that though aware of the Charter, they did not feel the level of service on the ground upheld the Charter principles or that complaints were being reviewed against Charter performance to effect change.

Additional clarity on HMRC's commitments to reviewing and taking action on failures to act in accordance with the Charter will grant customers greater confidence in

HMRC's institutional drive for accurate information and fair conduct. Whatever HMRC decide to do, it needs to be visible, measurable and supported by objectively verifiable evidence. If HMRC are not reaching their standards, then they need to acknowledge this and explain clearly what steps are going to be taken to remedy that, how they will be assessed and when and how HMRC will publish the results of the assessment. ACCA is well placed to continue to support HMRC's implementation of a reformed Charter and would welcome the opportunity to discuss mechanisms to improve Charter visibility and measure success.

12. There is also scope for optimisation of the process for agent authorisation.

Authorisations under the 64-8 form were cited as complicated, particularly for overseas clients. Improved online authorisations could vastly reduce the delays associated with current form submissions. Members were particularly keen to see a single point for authorisations with simple online authorisations through taxpayer and agent accounts.

Further suggestions

13. We would suggest that the three fundamental considerations - simplicity, certainty and stability - are used to support the reforms and the modernisation. As we recognise when describing these principles, "technologies change so the administration of tax systems will change. Improvements in technology can offer significant enhancements to both the efficiency and effectiveness of tax collection. Yet rushed or poorly thought through change can compromise those beneficial impacts" and consequently result in detrimental impacts on the economy and successful modernisation, and may result in a loss of trust in the tax system.

14. All involved stakeholders – professional bodies, tax professionals, and by extension taxpayers, have benefited over the last 15 months from HMRC embracing technology to open channels of communication. We would urge HMRC to embrace the benefits of extending these channels to all taxpayers. HMRC have in the past been criticised

for reducing taxpayer accessibility and becoming detached from the taxpayer population, a trend amplified by the move to regional hubs from local offices. However, the access to communications tool, which is inherent in that centralisation of resource for HMRC, opens up the opportunity to engage directly with advisers and taxpayers through video calls. The tangible benefits of such an approach would include reduced journey times for meetings, ease of access to specialists and automated records (transcripts) of meetings. Less directly measurable benefits would include increased taxpayer engagement with the human face of HMRC as well as levelling up access to HMRC for taxpayers with less of a penalty for where they are geographically located. This enhanced accessibility will drive trust in a modern tax system.