

HMRC Charter

A public consultation issued by HMRC

Comments from ACCA to HMRC

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GENERAL COMMENTS

Trust lies at the heart of a healthy relationship between a tax authority and the taxpayers and agents who interact with it. Since 2009 HMRC has positioned the Charter as a central element in building that trust. Stakeholders' expectations have evolved over time as the legislative framework of powers and safeguards, and HMRC's interpretation and implementation of those laws, has developed.

Transparency and accountability come up in every forum as being the key to tax morale and good tax engagement. This applies across the board, and tax authorities should be every bit as transparent and accountable as taxpayers and the agents who support them when it comes to paying tax.

Stability is just as important as certainty and simplicity when it comes to the tax system. HMRC should resist the temptation to make changes to the Charter if the problems lie not with the wording but with the implementation. It is not the words of the Charter that matter so much as the public perception of HMRC's implementation of it. That said, if a revision to the framing of HMRC's commitment to the Charter highlights the existence and importance of it then, regardless of whether there is an objective need to change the words, that change might function as a clear signal of HMRC's recognition of the importance of the Charter to public trust in the UK tax system.

It will remain important for the Charter to operate as part of the wider tax compliance environment, and our response to this consultation should be read in conjunction with our input into the Raising Professional Standards strand as well as the wider design of the UK tax system and policy developments. Recognising the changing environment in which HMRC, taxpayers and their advisers operate in, the collaborative development of appropriate timely guidance supporting specific principles of the Charter should be considered as an additional resource.

AREAS FOR SPECIFIC COMMENT:

Turning to the specific question raised in the HMRC consultation document, our observations would be as follows:

Do you think the draft charter sets the right standards for HMRC's service to customers?

Broadly, yes. However, there are some specific areas where we would welcome some additional clarity:

- The language around the right of taxpayers to have appropriate representation has changed from the previous Charter. HMRC highlights in the Charter 'working in partnership with you' and states "we will help you meet your tax

responsibilities and work with anyone you've asked to act for you". This loses the important right of the taxpayer to be directly and exclusively represented as was included in the previous Charter as, 'we'll respect your wish to have someone else deal with us on your behalf, such as an accountant or a relative.'

Individuals and businesses often require professional support to set up account details with HMRC, check calculations and use office tax portals and will frequently engage a professional agent specifically to deal with all tax obligations. Wherever possible, HMRC should ensure that it creates mechanisms which allow taxpayers to exercise that right to representation. The inability of agents to act on behalf of their client could lead to an unnecessary proportion of incorrectly submitted claims and delays. During the early stages of the Covid-19 outbreak, ACCA received reports that many clients claiming for SEISS were overwhelmed by the gateway portal and struggled to navigate the information requests. This has led to a number of unnecessary errors.

- *"However, we will take firm action against the small minority who bend or break the law by not paying their tax."*

Actions taken should be consistent across the horizontal taxpayer population and proportionate to the tax at stake taking into consideration the taxpayer's circumstances.

- *"If we make a mistake, we will put it right as soon as possible."*

In many cases, members have expressed a concern that taxpayers assume that in the absence of any acknowledgment from HMRC, it must be the agent who is at fault. This damages the taxpayer/agent/HMRC relationship and is detrimental to long term tax morale. An acknowledgment of error from HMRC would build greater trust and raise the standard of the overall system.

- *"We will always treat you in line with our values of respect, professionalism and integrity. Our employees are people too, so please treat them in the same way. We take any threats, intimidation or harassment very seriously and will take appropriate action against any behaviour of this type."*

We fully support this principle and believe that the fundamental principle of respect must be mutual and would welcome a more explicit recognition of the two way nature of the obligations.

The clear statement 'We'll presume that you're telling us the truth, unless we have good reason to think otherwise' reduces the risk of those making contact for the first time proceeding on a basis of mistrust which could create unnecessary barriers to effective collaboration. These statements are useful in setting the framework of the interaction between taxpayers, Agents and HMRC.

To what extent do you feel the draft charter sets out the areas which are most important to customers when interacting with HMRC?

- By adopting a principles-based approach HMRC has allowed the latitude to cover areas as needed. It is of prime importance that taxpayers and their agents understand this basis and have clarity as to the approach HMRC will take in interpreting these broad principles. As an adopter of a principles-based approach ACCA recognises the benefits in this, as well as the importance of transparency and accountability in the implementation of such principles.
- *“We’ll act within the law and make sure that you are dealt with by people who have the right level of expertise. We’ll help you to understand your rights and we’ll be sensitive to any financial difficulties you might have.”*

The draft Charter omits a previously included statement reassuring taxpayers and agents of the commitment to ensuring correct HMRC staff expertise. Feedback from ACCA members frequently highlights the value of quality HMRC advisors and response times, in saving client time and cost of compliance.

How you would like to see HMRC measure and monitor how it is performing against the charter, including how it can best listen to feedback and take action on areas for improvement?

Actions speak louder than words. Over 10% of UK taxpayers highly distrusted HMRC in survey work undertaken in 2018, and it seems likely that the proportion will have increased in the wake of the Loan Charge.

It is unclear how HMRC will deal with instances of its own failure to uphold the charter as well as any mechanisms for ongoing scrutiny. 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.

In our 2015 paper *Stability in Tax*, we state: “Another factor which government ignores at its peril is the staffing of the administrative authority. Tax is, ultimately, for the benefit of individual human beings, and it is administered by individuals. Consistent and calculated investment in the professional staff responsible for operating the system on a

daily basis will help create a core of dedicated long-term public servants. Without appropriate recognition of the vital role they play in maintaining the fabric of society, motivated individuals will simply regard a tax department as a stepping stone to more rewarding work in the private sector. Investment in the training and retention of staff at every level should be a priority. Without the institutional memory of long-term staff the same mistakes will be made, on a daily basis at the basic administrative level, and on an annual, or even longer-term basis.”

We would welcome HMRC committing to training and rewarding its staff in light of the behaviours and actions enshrined within the Charter as an element in that long-term investment. Transparency around staff awards alongside a broader systemic acknowledgment of commitment to Charter principles will help build public trust in the tax system.

We would welcome the opportunity to explore this proposal, and any of the other points raised in this consultation through further engagement with HMRC.