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THE TAX ADMINISTRATION FRAMEWORK REVIEW – IMPROVING HMRC’S APPROACH TO DISPUTE RESOLUTION

Response by Association of Taxation Technicians

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HMRC consultation ‘The Tax Administration Framework Review – Improving HMRC’s approach to dispute resolution’¹ (the Consultation).
- 1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.
- 1.3 We acknowledge that the tax system is built on the principles of ‘fairness, trust and compliance,’ but we have gone further in developing our own ten principles for the tax system² which we employ when commenting on and evaluating tax policy and processes. Where appropriate our response draws on these principles.
- 1.4 We welcome that the Consultation is taking place at Stage 1 of the consultation process and appreciate the engagement by HMRC through the workshop on 29 May, to further explore the reforming opportunities. Should the decision be taken to progress any of the proposals further, we look forward to the opportunity provided within Stage 2, to consider the options and comment on the detailed policy design.
- 1.5 In this response, we have included an executive summary in Section 2 and some general observations in Section 3, followed by responses to the Consultation questions in Sections 4-6. Please note that we have

¹ [The Tax Administration Framework Review – Improving HMRC’s approach to dispute resolution - GOV.UK](https://www.gov.uk/government/consultations/the-tax-administration-framework-review-improving-hmrcs-approach-to-dispute-resolution)

² [The ATT's principles for the tax system | The Association of Taxation Technicians](https://www.att.org.uk/principles-for-the-tax-system)

only answered those questions where we feel able to do so and have combined our responses to associated questions where appropriate.

2 Executive Summary

2.1 The Consultation seeks views on options for simplifying, modernising and reforming HMRC's approach to dispute resolution. It focuses on the ease of access and use of HMRC's alternative dispute resolution (ADR) and statutory review processes. Views are sought in three areas:

2.2 Reforms to improve support and guidance for customers going through a compliance intervention

We support the need for enhanced guidance on compliance interventions and the appeals process, particularly to ensure that all taxpayers (especially those who are unrepresented) are aware of how and where to access appeal processes during a compliance case. We also agree that, if implemented effectively, a digital appeals route has the potential to offer a more efficient and streamlined method for resolving disputes and maintaining engagement with HMRC. However, it is essential that alternative, non-digital options remain available to ensure accessibility for those who are digitally excluded and for these to be clearly signposted.

2.3 Simplifying and aligning processes

We support the alignment of appeal processes across direct and indirect taxes. However, we have concerns regarding the current proposal in which the issuance of an informal pre-decision letter is not mandatory. If left to HMRC's discretion, the absence of such a letter could reduce opportunities to resolve disputes at an early stage, potentially leading to unnecessary progression into the formal appeals process.

2.4 Reforms to improve access to alternative dispute resolution

We support the inclusion of all appropriate areas within the scope of ADR and believe that access to the process should be simple and straightforward. However, we do not agree with the introduction of a charge for the use of ADR. We believe ADR should remain free at the point of access, as it plays a vital role in promoting fair, proportionate, and accessible tax administration. Introducing a fee risk undermining the effectiveness and equity of the process.

3 General Observations

3.1 We welcome the efforts of HMRC's Customer Compliance Group (CCG) in embedding its published Compliance Professional Standards³, which clearly articulate the expected conduct of HMRC when undertaking compliance activity. This commitment to transparency and alignment with the HMRC Charter⁴ plays a vital role in fostering understanding and building trust within the taxpaying community.

3.2 Where there are disputes, HMRC's Litigation and Settlement Strategy (LSS)⁵ creates the framework within which it works to resolve tax disputes through its civil law processes. We support the LSS, particularly in that both HMRC and taxpayers should work collaboratively and non-confrontationally to resolve disputes.

3.3 We also support both ADR and the statutory review processes as essential components of the tax dispute landscape because they offer taxpayers accessible, cost-effective, and timely ways to resolve disagreements without resorting to formal litigation. These routes help ensure fairness and

³ [HMRC professional standards for compliance - GOV.UK](#)

⁴ [HMRC Charter - GOV.UK](#)

⁵ [Litigation and Settlement Strategy \(LSS\) - GOV.UK](#)

proportionality in tax administration, fostering trust and reducing the burden on both taxpayers and the tribunal system.

- 3.4 The appeals process can be complex and daunting for many taxpayers, particularly those who are unrepresented. It is therefore essential that clear, accessible, and user-friendly guidance is available at every stage. The process of lodging and managing an appeal should be straightforward and intuitive, with seamless navigation and timely support. Comprehensive guidance and signposting must be provided consistently, regardless of whether the process is delivered digitally or through traditional channels, to ensure fairness, transparency, and equal access for all taxpayers.

4 Reforms to improve support and guidance for customers going through a compliance intervention

- 4.1 **Question 1: How should digital appeal routes for taxpayers looking to pursue dispute resolution with HMRC be designed?**

- 4.2 **Question 2: How could the dispute resolution process best be streamlined and integrated with digital services?**

- 4.3 We acknowledge and support Government's and HMRC's general digitalisation goals and recognise that implemented correctly they can create an efficient and effective way of taxpayers staying connected with HMRC. However, it is essential that built into these aspirations are the capacity for conventional human contacts where necessary (initiated by the taxpayer, agent, or HMRC) to resolve issues more effectively for the benefit of taxpayers, the tax authority or both.

- 4.4 To streamline and integrate the dispute resolution process effectively with digital services, we believe that it is vital that the design and implementation of such systems are aligned with the Chartered Institute of Taxation (CIOT) and ATT's seven principles of tax digitalisation⁶. These principles provide a robust framework to ensure digital transformation supports not only efficiency but also fairness, inclusivity, and functionality for all users. The application of those principles in dispute resolution is discussed further below:

1. Enhance Existing Processes

Digital dispute resolution should build upon and improve current mechanisms, not merely replicate manual processes in digital form. For example, by enabling structured digital submission of evidence, automatic receipt confirmation, and status tracking, the system can reduce the likelihood of missed deadlines or errors. Enhanced dashboards for both taxpayers and agents could allow users to see real-time updates on case progression, upcoming deadlines, and historical correspondence, helping to minimise confusion, delays and unnecessary HMRC contact.

2. Be Cost and Resource Efficient

Digital systems should reduce administrative burdens on all participants. A well-designed online dispute resolution process could allow for quicker resolution of low-level queries without the need for lengthy correspondence or phone calls. This would lower costs for taxpayers, agents, and HMRC alike. Any added digital requirements, such as agent authorisation must be proportionate and demonstrate a clear benefit. Efficiency should not come at the cost of increased complexity or hidden workload shifts to taxpayers and their representatives.

⁶ [240423 CIOT and ATT principles of tax digitalisation FINAL.pdf](#)

3. Be Secure

Security is essential when handling sensitive tax disputes. Digital systems must protect taxpayer data while offering streamlined access, especially where multiple authorised parties (such as agents) are involved. The identity verification process must strike the right balance, being robust enough to prevent fraud, yet not so burdensome as to create barriers to timely access. Maintaining the integrity of records and providing secure, time-stamped communications will enhance trust in the system.

4. Be Integrated & Adaptable

A digital dispute resolution service should integrate seamlessly with existing HMRC systems, and should be designed with future changes in mind, including new types of disputes or evolving legal requirements, to avoid needing constant redevelopment.

5. Accommodate Agents

Agents play a critical role in the tax system, and any dispute resolution platform must offer full parity of functionality for them. Agents should be able to initiate, track, and respond to disputes on behalf of their clients just as effectively as taxpayers can themselves. Agents need to be designed into the process from the outset, not added in at a later stage when it is more difficult or cost prohibitive for HMRC to take account of their needs. As such, the process for granting agent access should be consistent, straightforward, and centrally managed, reflecting the importance of authorised representatives in the UK tax system.

6. Be Simple, Tested & Co-Created

User experience must be central. Systems should be developed with input from taxpayers, agents, and HMRC staff from day 1, ensuring they reflect real-world workflows and challenges. Simplicity is key - dispute forms, evidence submission portals, and guidance must be intuitive and avoid legal or technical jargon. Piloting and iterative testing with real users before full roll-out will help identify pain points early, reducing the risk of poorly implemented solutions.

7. Accommodate Accessibility Requirements

Inclusivity must be built in from the ground up. Dispute systems should support a wide range of accessibility needs, including screen reader compatibility, high-contrast modes, and simplified navigation for neurodiverse users. Importantly, those unable to use digital channels, whether due to disability or digital exclusion, must retain access to effective non-digital dispute resolution channels. This ensures fairness and compliance with equality obligations. Offering additional support should not be reactive or discretionary, but provided as a matter of course at the outset of every case, ensuring that all users can engage meaningfully and equitably with the process from the start. This would be in accordance with HMRC's Charter Standard of treating you fairly⁷.

- 4.5 To be effective, the digitalisation of tax dispute resolution must go beyond automating existing processes. It must be intelligently designed and user led. By enhancing processes, reducing burdens, and building secure, integrated, and accessible platforms, co-created with agents and taxpayers, HMRC can ensure that digital dispute resolution improves outcomes, builds trust, and delivers long-term value across the tax system.

⁷ [HMRC Charter - GOV.UK](https://www.gov.uk/government/publications/hmrc-charter-standard-of-treating-you-fairly)

5 Simplifying and aligning processes

- 5.1 We have consolidated our responses to the questions relating to the proposed aligned direct and indirect tax model. We are in favour of alignment of the appeal processes, so that the appeal processes can be straightforward to use and easy to navigate. Alignment would be particularly useful where there are cases which involve multiple heads of tax, so that it is clear exactly how any appeal would proceed. As stated at 5.13, our preference is for alignment along the direct tax route. However, we acknowledge that the proposed model offers certain advantages. These, along with our concerns, are explored in detail in paragraph 5.12 and the sections that follow.
- 5.2 **Question 3: Does the model proposed provide a simpler process to resolve disagreements?**
- 5.3 **Question 4: Would the model potentially improve access to statutory review and ADR where disagreements cannot be resolved in other ways?**
- 5.4 **Question 5: Is there anything further this model could incorporate to provide a simpler process?**
- 5.5 **Question 6: Are there aspects of the current ‘view of the matter’ stage that provide benefits and should be retained?**
- 5.6 **Question 7: Would it be preferable to retain the initial appeal to HMRC while incorporating the rest of the proposed model where possible?**
- 5.7 **Question 8: To improve access to ADR, would it be beneficial to remove the requirement to notify the tribunal of an appeal, requiring acknowledgement by the tribunal, which HMRC must then be notified about?**
- 5.8 **Question 9: What could be the unintended consequences of this suggested model?**
- 5.9 **Question 10: Are there any other aligned appeal processes, which improve access to dispute resolution, you think HMRC should consider?**
- 5.10 **Question 11: Should HMRC consider an initial review/alternative stage to the process where a decision has been automated?**
- 5.11 **Question 12: Are there particular taxpayer groups for who this reform would be best or ill suited, and why?**
- 5.12 In our response⁸ to *The Tax Administration Framework Review: Enquiry and Assessment Powers, Penalties, Safeguards* consultation, we noted that, ‘although there are distinctions between direct and indirect taxes which cannot be ignored, we would be in favour of alignment of the appeal processes, so that the appeal processes can be straightforward to use and easy to navigate.’ We are therefore pleased to see this option being further explored within the proposed Consultation model.
- 5.13 In that response, we also stated that ‘If direct and indirect tax appeals are to be aligned, we would favour alignment along the direct tax route. Any form of appeal is expensive both for taxpayers and HMRC, so the more opportunities to resolve and settle a case before involving costly litigation would seem sensible. Direct tax cases provide multiple opportunities for resolution. ADR can be used at various stage of the process and Statutory Review once a decision has been made is another useful option to avoid litigation.’

⁸ [2024 - RESPONSE - condoc - TAFR enquiry and assessment powers, penalties and safeguards - FINAL.docx](#)

- 5.14 The proposed direct and indirect aligned model (Diagram 3 in the Consultation) would consist of the following steps:
- Pre-decision stage – HMRC issue a pre-decision letter
 - Formal decision stage – HMRC issue its formal decision letter and make an offer of statutory review to the taxpayer if no settlement can be reached at the pre-decision stage.
 - Tribunal appeal stage – After statutory review and ADR is concluded, the right to appeal to the tribunal would remain in line with the current statutory time limits.
- 5.15 This proposed aligned model appears to follow more closely the current indirect tax appeal process, which was not our preferred route. However, we view the proposed introduction of a pre-decision letter in an aligned model (currently not available in direct tax cases), issued prior to a formal decision, as a potentially constructive step.
- 5.16 The introduction of a pre-decision letter could provide an opportunity to take stock of the key areas of contention and promote focused dialogue before statutory time limits are triggered by the formal decision letter. This could be particularly beneficial in enquiries that have become protracted or have lost direction. Furthermore, it could support more targeted and effective use of ADR by helping to clarify the scope of disagreement in advance.
- 5.17 We have concerns however that under the current proposal, the issuance of a pre-decision letter is at HMRC’s discretion and described as being used “as appropriate.” Given resource constraints and varying workloads within HMRC, there is a risk that this step may be bypassed in favour of proceeding directly to a formal decision.
- 5.18 We recommend that the issue of a pre-decision letter be made mandatory, as it plays a critical role in highlighting key areas of difference between taxpayers and HMRC, thereby facilitating constructive dialogue and potential resolution. If these letters are not to be mandated, we would appreciate clarification on whether taxpayers will have the right to request a pre-decision letter, particularly in instances where an enquiry has become protracted or appears to lack clear direction.
- 5.19 We acknowledge the work done to date by HMRC in highlighting the availability of statutory review. However, improving access will only be effective if taxpayers are fully aware of these options and understand how to engage with them. The proposed model has the potential to enhance dispute resolution, but this will depend significantly on the clarity and accessibility of communication regarding available processes.
- 5.20 It is essential that HMRC clearly communicates the availability of ADR and statutory review at appropriate stages within the compliance check process (this is considered later in the Consultation see 6.21 et seq). Taxpayers should be informed, in a timely and transparent manner, of the opportunities to pursue these routes before resorting to formal litigation through the tax tribunal. This includes clear guidance on when ADR is available, how it can be accessed, and what types of cases are suitable for resolution through this mechanism.
- 5.21 We have also received feedback indicating that, within the statutory review process, the appointment of the reviewing officer is often subject to significant delays, sometimes taking several months. In addition, extensions to the timeframe allowed for the reviewing officer to consider the case are frequently requested. Under the current legislation, if the taxpayer does not consent to such an extension, the reviewing officer is required to close the review in accordance with the original closure notice, thereby removing any opportunity to amend the outcome. To address these issues, legislative reform should be

considered to ensure timely appointment of reviewing officers and greater flexibility in managing review timeframes, while still protecting taxpayers' rights and ensuring procedural fairness. One potential reform could be to allow the review to be concluded in line with the taxpayer's proposed adjustments, rather than defaulting to HMRC's original position, in situations where delays prevent a full review.

5.22 Enhanced awareness and understanding of these options would not only promote fairness and transparency but also support more efficient resolution of disputes, reducing the burden on both taxpayers and the tribunal system. We therefore recommend that the final model include a robust communication strategy to ensure that all parties, particularly unrepresented taxpayers, are adequately informed of their rights and options throughout the compliance and dispute resolution process.

5.23 Finally, should there be an increased uptake of ADR and statutory review mechanisms by taxpayers, it is essential that HMRC is appropriately resourced and staffed to manage the resulting demand. Without sufficient capacity, the effectiveness of these dispute resolution pathways could be undermined, potentially leading to delays, reduced taxpayer confidence, and a diminished perception of procedural fairness. Proactive investment in training, personnel, and operational infrastructure will be crucial to ensuring that these mechanisms achieve their intended purpose of delivering timely, efficient, and accessible resolutions.

6 Reforms to improve access to alternative dispute resolution

6.1 **Question 13: Should it be a requirement for HMRC and taxpayers to demonstrate they have considered other means of dispute resolution prior to appealing to tribunal?**

6.2 **Question 14: At what point in the taxpayer journey would it be best to make this consideration? For example, when a taxpayer is first informed about their statutory time limit to appeal to the tribunal.**

6.3 **Question 15: What would be the benefits and risks of such an approach?**

6.4 We acknowledge the demonstrated success of ADR in resolving disputes and clarifying issues, often enabling both parties to reach agreement and avoid unnecessary litigation. This success supports the case for encouraging broader consideration of ADR in appropriate circumstances. We agree that taxpayers should be fully informed about when and how ADR can be used. However, introducing a requirement that ADR must have been "considered" risks becoming a procedural formality unless clear guidance is provided on what constitutes meaningful consideration in this context.

6.5 Additionally, directing unsuitable cases to ADR risks not only distorting future performance data, but more critically, may delay the timely resolution of disputes. It is therefore essential that each of the current exclusions from ADR be re-examined to determine whether such matters could, in fact, be effectively addressed through the ADR process, otherwise consideration of those cases would be meaningless.

6.6 The Consultation makes reference to the updated First Tier Tribunal Practice Statement on 'Alternative Dispute Resolution in Tax Disputes'⁹ which was issued on 5 May 2025 (i.e. after the launch of the Consultation). The updated Practice Statement sets out the Tribunal's practice in appeals against HMRC decisions where it is proposed that the parties engage in ADR after an appeal has been made to the Tribunal.'

6.7 The purpose of the Practice Statement is to further the Tribunal's obligation under rule 3(1)(a) of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009. All parties should consider whether ADR may be appropriate and to keep the possibility of ADR in mind as the appeal progresses. There is now

⁹ [Alternative Dispute Resolution: Practice Statement for Ft-T Tax Chamber](#)

an explicit duty to inform parties about ADR availability and direct them to enter ADR when deemed suitable.

- 6.8 The Practice Statement further provides that “an unreasonable failure to consider or enter into ADR may, in an appropriate case, result in costs being awarded against a party or in a party recovering a lower proportion of their costs” (e.g., *Halsey v Milton Keynes General NHS Trust* [2004] EWCA Civ 576). It also notes that such conduct may, in the right circumstances, amount to unreasonable behaviour. While the Practice Statement does not define what constitutes an “unreasonable failure,” this position introduces potentially significant cost consequences for parties who decline to engage in ADR and are unable to justify that refusal as reasonable.
- 6.9 By formally recognising the Tribunal’s authority to direct parties toward ADR and highlighting the potential cost consequences for unreasonably refusing to engage in it, the statement materially shifts the procedural landscape of tax dispute resolution.
- 6.10 Importantly, the risk of adverse cost implications, serves as a tangible deterrent to dismissing ADR without justifiable grounds. For many taxpayers, particularly those engaged in complex or protracted disputes, the prospect of earlier resolution, reduced litigation costs, and avoidance of lengthy tribunal proceedings will make ADR an increasingly attractive option.
- 6.11 Moreover, the alignment of the Tribunal's guidance with HMRC’s broader strategy to promote ADR reinforces the perception that ADR is no longer peripheral, but a mainstream component of the dispute resolution process. Taken together, these developments are likely to result in a marked increase in the uptake of ADR, particularly in cases where the legal or factual issues are suitable for facilitated negotiation or mediation.
- 6.12 **Question 16: Including current provisions on ADR exclusions, what criteria would be most appropriate to refer taxpayers to ADR without overwhelming resource and capability?**
- 6.13 It is almost inevitable that with the updated First Tier Tribunal Practice Statement on ‘Alternative Dispute Resolution in Tax Disputes’¹⁰ issued on 5 May 2025, and HMRC’s work in raising taxpayer awareness of ADR, that the service will receive more applications, and it is essential that there is adequate resourcing to meet those needs.
- 6.14 We support the development by HMRC of a principle-based approach for cases entering the ADR process, as opposed to the current ‘out of scope’ list, as this should provide greater flexibility, transparency, and consistency in determining eligibility, while ensuring that more cases with the potential for resolution are given the opportunity to benefit from ADR.
- 6.15 We consider that the criteria that would be most appropriate to refer taxpayers to ADR, would include those with a likelihood of resolution through facilitated discussion, particularly where there are misunderstandings, miscommunications, or disagreements over facts rather than purely legal arguments. Both HMRC and the taxpayer should show a genuine willingness to participate in ADR in good faith. Voluntary participation increases the likelihood of productive outcomes. ADR should also be prioritised for disputes that are complex but not so technical or legalistic that they are better suited to tribunal determination. This includes cases involving multiple issues or nuanced facts.
- 6.16 **Question 17: How can we best identify taxpayers who are most likely to be unaware of ADR as an effective dispute resolution tool?**

¹⁰ [Alternative Dispute Resolution: Practice Statement for Ft-T Tax Chamber](#)

6.17 Identifying taxpayers who may be unaware of ADR presents a challenge, as it requires insight into an absence of knowledge or awareness, something that is inherently difficult to measure. However, one practical approach would be to conduct targeted surveys of taxpayers who have recently undergone a compliance intervention. Such a survey could assess their overall satisfaction with the outcome and, crucially, explore whether they were aware that any disputed aspects of their case could have been addressed through ADR prior to case closure. This approach would provide data-driven insights into the levels of awareness among different taxpayer groups (e.g. by sector, size, or professional representation) and could help HMRC and other stakeholders tailor educational and outreach efforts accordingly.

6.18 **Question 18: What types of impasses or queries best suit a referral to ADR?**

6.19 ADR provides a constructive and cost-effective alternative to litigation where the dispute is factual, communication-based, or lends itself to collaborative resolution, and compromises may be needed. It supports earlier closure of enquiries, reduces pressure on the tribunal system, and often improves compliance relationships between HMRC and taxpayers. As such, ADR should be actively considered in any dispute where legal clarification is not the central issue, and the facts or engagement process itself is in dispute.

6.20 ADR is particularly appropriate where:

1. Factual Disputes or Differing Interpretations of Evidence

ADR is especially suited to resolving disputes where parties agree on the law in principle but disagree over facts, or where key factual matters (e.g. valuation, residency, business purpose) are disputed. Examples would be:

- Whether a transaction qualifies as trading or capital
- Disputes over residence or domicile status
- Classification of income or expenditure
- Employment vs. self-employment determinations
- Whether company activity constitutes qualifying R&D
- Whether any special circumstances need to be taken into account when agreeing the valuation of an asset being sold

2. Communication or Relationship Breakdowns

Where engagement between the taxpayer and HMRC has stalled or become adversarial, ADR can help rebuild dialogue and facilitate mutual understanding. Examples would be:

- Longstanding enquiries where positions have become entrenched
- Where there is a perceived lack of transparency or responsiveness
- Where there is mistrust between parties preventing productive resolution

3. Complex or Multi-Issue Cases

In cases involving multiple strands or intricate factual backgrounds, ADR provides a forum to explore issues holistically and clarify misunderstandings. Examples would be:

- Cases involving multiple years or taxes (e.g. PAYE, VAT, Corporation Tax)
- Transactions with hybrid elements or overlapping rules
- Disputes where third-party evidence or expert input is helpful

4. Cases Close to Resolution

Where a dispute is nearing settlement, but one or two points remain unresolved, ADR can help overcome final sticking points without the time and cost of proceeding to tribunal. Examples would be:

- Negotiations over reasonable adjustments to assessments
- Partial agreement on liability or penalties with narrow remaining issues

5. Situations Where Flexibility or a Non-Adversarial Approach Is Beneficial

ADR enables informal, confidential discussion, helping parties move away from positional negotiation and toward collaborative problem-solving. Examples would be:

- Disputes where HMRC and the taxpayer are open to a pragmatic solution
- Cases involving sensitive or reputational concerns

6.21 **Question 19: What points within the taxpayer journey are best to refer a taxpayer to ADR?**

6.22 ADR can be a powerful tool when used at the right moment in the taxpayer journey. While most compliance cases are resolved without the need for formal dispute resolution, strategically timed referrals to ADR can support early resolution, reduce costs, avoid unnecessary litigation, and promote trust-based engagement between HMRC and taxpayers.

6.23 We consider that the points within the taxpayer journey which are best to refer a taxpayer to ADR are:

1. Early in the compliance process – Setting expectations

From the outset of any enquiry or compliance check, it is beneficial to remind taxpayers of HMRC's Litigation and Settlement Strategy¹¹ (LSS), which encourages collaborative working, proportionate dispute resolution, and a principled but pragmatic approach. Introducing the concept of ADR early on helps frame the interaction as cooperative rather than adversarial.

Benefits of referral at this stage include:

- Encouraging constructive dialogue
- Setting a tone that supports openness and proportionality

However, referral to ADR itself at this stage may be premature unless there is an early indication that a significant disagreement is likely.

2. When a dispute begins to emerge

The most effective point for referring a taxpayer to ADR is when it becomes clear that a material disagreement has developed, and traditional channels (e.g. correspondence or meetings) are unlikely to resolve the issue efficiently.

Indicators for ADR at this stage would be:

- The taxpayer and HMRC interpret facts or evidence differently
- Multiple rounds of written responses have failed to move the dispute forward
- One or both parties feel misunderstood or that positions are hardening

¹¹ [Litigation and Settlement Strategy \(LSS\) - GOV.UK](#)

- There are multiple interconnected issues that would benefit from a facilitated discussion

This is often the “sweet spot” for ADR referral, allowing intervention before positions become entrenched and while both parties are still open to collaborative problem-solving.

3. Prior to formal appeal or litigation

If a Notice of Assessment or closure notice has been issued, and the taxpayer has either appealed or is considering appealing to the Tribunal, ADR can offer a final opportunity for resolution without litigation.

Benefits of ADR at this stage:

- Reducing tribunal burden
- Allowing confidential, without-prejudice negotiation
- Supporting tailored resolution outside the rigid framework of litigation
- Clarifying or narrowing the issues ahead of a hearing, even if full resolution is not achieved

HMRC should encourage taxpayers to consider ADR before proceeding to litigation, particularly where factual disagreements are central or where the taxpayer may not fully appreciate the risks, costs, and public nature of tribunal proceedings.

4. During ongoing appeals or litigation (with Tribunal Consent)

In some cases, ADR may still be appropriate even after an appeal has been lodged, provided both HMRC and the taxpayer agree to participate and the Tribunal grants permission (where needed). This can be helpful where:

- New evidence or information emerges
- Settlement discussions had previously stalled, but circumstances have changed
- Only a subset of issues remains unresolved

In summary, our view of the key referral points is as follows:

Stage of Taxpayer Journey	ADR Referral Appropriate?	Notes
Start of compliance check	Not usually – but set tone	Introduce LSS principles; mention ADR as future option
Dispute emerging (facts or engagement)	✓ Highly appropriate	Ideal timing – factual disagreement or relationship breakdown
Before appeal / after assessment	✓ Appropriate	Valuable alternative to litigation if legal position not yet fixed
After appeal submitted	✓ Case-by-case	Requires consent but can still resolve or narrow issues

6.24 HMRC should take a proactive approach to identifying points in the compliance journey where ADR can add the most value. While it may not be needed in most cases, referring taxpayers to ADR at the right moment, particularly when disputes become defined but before litigation begins, supports faster, fairer

outcomes and upholds the spirit of the LSS. Early awareness, timely intervention, and case-specific judgment are key to ensuring ADR is used effectively.

6.25 **Question 20: Are there other approaches for an ADR consideration requirement that HMRC could consider?**

6.26 We are not aware of any other approaches for an ADR consideration requirement that HMRC could consider.

6.27 **Question 21: Is it feasible for HMRC to charge the taxpayer for using the ADR service?**

6.28 No.

6.29 There is no mention within the Consultation about the possible rationale for charging taxpayers for using the ADR service. The only comment on cost is that if 'a case goes to ADR, it will typically incur no cost to the taxpayer, unless they choose to be represented by an agent, or hire a mediator of their own choice to co-mediate.'

6.30 We do not support the introduction of a mandatory charge for taxpayers to access the ADR process. The core purpose of ADR within the tax system is to provide an accessible, efficient, and collaborative mechanism for resolving disputes without recourse to formal litigation. Introducing a cost to access this process could create a barrier to engagement, particularly for unrepresented or lower-income taxpayers. This would run counter to the principle of fair and equitable access to justice, and risks entrenching existing inequalities in the tax dispute process.

6.31 Currently, the ADR process offered by HMRC is free at the point of use. This is appropriate given that the process itself serves a public interest function: resolving disputes early, avoiding unnecessary tribunal hearings, and promoting compliance through constructive dialogue. Any potential administrative savings achieved by charging for ADR may be offset by increased costs elsewhere as a result of taxpayers being deterred from pursuing the option, for example through a rise in tribunal cases or prolonged unresolved disputes.

6.32 It is also worth noting that ADR frequently benefits not only taxpayers but HMRC as well. It provides a mechanism for clarifying misunderstandings, narrowing issues in dispute, and improving communication. In some cases, it enables HMRC to avoid costly litigation where the taxpayer's position is ultimately found to have merit and can produce a swifter res.

6.33 While we recognise that the ADR process carries an operational cost, we believe it is appropriate that these costs are absorbed by HMRC as part of its broader compliance and resolution activities. If the Government were minded to explore the introduction of fees, we would strongly recommend that:

- Any charges be nominal and not intended to generate revenue
- There be clear and automatic exemptions for unrepresented taxpayers, those on low incomes, and those with protected characteristics
- The policy objective be clearly articulated (e.g. cost recovery, discouraging misuse) and backed by evidence that fees would achieve that goal without unintended consequences.

6.34 The consultation suggests that one potential approach to promoting greater use of ADR would be to require both taxpayers and HMRC to demonstrate that ADR has been considered prior to lodging an appeal with the tribunal. However, the consultation does not elaborate on what would constitute sufficient evidence of having "considered" ADR. Should a requirement be introduced mandating the use of ADR where it is deemed appropriate, this would further strengthen the case for ensuring that ADR

remains free at the point of access, in order to uphold fairness and accessibility within the dispute resolution process.

6.35 The revised First-Tier Tribunal (Tax Chamber) Practice Statement in Alternative Dispute Resolution¹² issued on 9 May 2025, indicates that in accordance with the decision in *Halsey v Milton Keynes General NHS Trust*¹³, that ‘an unreasonable failure to consider or enter into ADR may, in an appropriate case, result in costs being awarded against a party, or in a party recovering a lower proportion of their costs.’ Therefore, there is already a redress for costs within the tribunal system, should cases progress to that stage.

6.36 In summary, we believe ADR should remain free at the point of access for taxpayers. It plays a vital role in supporting fair and proportionate tax administration and charging for access risks undermining this function. We would welcome further consultation before any such change is considered.

7 Contact details

7.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact our technical officer, Steven Pinhey on spinhey@att.org.uk

8 Acknowledgement of submission

8.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Association of Taxation Technicians is included in the List of Respondents when any outcome of the consultation is published

The Association of Taxation Technicians

9 Notes

9.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

9.2 Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

9.3 The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

¹² [Alternative Dispute Resolution: Practice Statement for Ft-T Tax Chamber](#)

¹³ [Halsey v Milton Keynes General NHS Trust \[2004\] EWCA Civ 576 \(11 May 2004\)](#)