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THE TAX ADMINISTRATION FRAMEWORK: SUPPORTING A 21ST CENTURY TAX SYSTEM

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 document *The tax administration framework: Supporting a 21st century tax system* ('the Consultation') issued on 23 March 2021¹.
- 1.2 The primary charitable objective of the ATT is to promote education and the 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 Key Observations

- The Consultation defines the tax administration framework as all the legislation relating to the collection and payment of tax over the complete duration of engagement from initial registration to compliance, payment, review and enquiry and safeguards and finally deregistration for direct and indirect taxes. This means that the Consultation has a substantial scope. In future, the Government may find it more effective to focus more narrowly on each of these areas separately.
- 1.4 A substantial part of the legislation which underpins the administrative framework as defined above is the Taxes Management Act 1970 (TMA 1970). To set this response in a wider context, we consider that it is helpful to appreciate the extent to which the UK tax landscape has changed over the last 50 years since the TMA first took effect. The Appendix to this response summarises some of the key changes which have happened in that period. Our aim is to illustrate the scale of the changes that have occurred, how these have impacted on the accessibility of HMRC and how many obligations have been transferred to the taxpayer in this period. We discuss this further in section 7 of this consultation.
 - 1.5 We agree therefore that TMA 1970 is out of date and is now a patchwork quilt of amendments. However, it would be a substantial challenge to undertake this in a single rewriting. Rather than attempt to reformulate the framework across all the taxes at once, we consider that, while there are merits in agreeing some overall principles as a starting point, the priority for forthcoming reviews should be the framework in relation to

¹ <https://www.gov.uk/government/consultations/call-for-evidence-the-tax-administration-framework-supporting-a-21st-century-tax-system>

income tax, and in particular self-assessment. This is a key area as the launch of Making Tax Digital for Income Tax and Self-Assessment (MTD for ITSA) in April 2023 approaches.

- 1.6 Although introducing meaningful administrative simplification before that deadline is likely to be very challenging, it may be that looking specifically at issues around income tax administration could usefully identify changes that could be made shortly after the launch of MTD for ITSA. Alternatively, it may be that, on balance, the success of MTD for ITSA could be improved by opting to delay mandation to allow for simplifications to the administration aspects. Having established a framework for one major tax that affects everyone, consideration could then be given to other taxes in turn, taking the general principles as a starting point but then adapting and adjusting them for the specific purposes of the tax in question.
- 1.7 The foreword to the Consultation notes that ‘the framework needs to change significantly in order to allow HMRC to deliver new digital services’. While obviously all HMRC systems and processes need to be underpinned by comprehensive legislation, when considering the taxpayer experience of the framework (one of the main focuses of the Consultation) what people engage with directly is not the legislation itself but HMRC’s systems and processes. While it is therefore important that the framework legislation is updated and revised, this should not be done in isolation from the digitalisation of the system. We would like to see amendments to framework legislation developed not just by policy staff, but jointly with those with the relevant IT expertise and relevant knowledge and understanding of HMRC’s systems. This would ensure that there was adequate focus on what it is practically possible for HMRC systems to achieve and what is practically and economically possible to develop.
- 1.8 In support of the view that implementation and policy need to be developed together, we cite HMRC’s performance developing the various Covid support packages such as the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme. We understand that both IT and policy teams were in the room at the same time during development, ensuring that only those policy ideas which could be effectively implemented were taken forward.
- 1.9 In contrast, we were recently informed that when measures to bring forward the payment of Capital Gains Tax on UK residential property were proposed, it was intended that the relevant mechanism would be part of the existing Personal Tax Account. It was then discovered *after* the additional cash flows had been included in the Government’s forecasts that this was technically impossible. As a result, the UK Property Reporting Service² has been developed as a free-standing service which integrates poorly (if at all) with self-assessment and comes with its own separate authorisation system for agents. We have received almost universal negative feedback from members who have struggled to assist their clients through this cumbersome and unintuitive system. If the policy had been developed with a greater understanding of the technical requirements of the system, this could have been avoided.
- 1.10 We therefore consider that development of a future administration framework must be done in parallel with the design of the underlying systems and look forward to engaging with the more focused consultations that are expected to result from the Consultation.

² The UK Property Service was launched in April 2020 and is the mechanism by which UK residents disposing of UK residential property on which a gain arises can report their tax. It is also used by non-residents to report disposals of their interests (direct and indirect) in UK land on similar, but broader, principles.

2 Chapter 2: Reviewing the tax administration framework

- 2.1 Q1. Are there reforms which HMRC should focus on for the framework review? Which changes should we prioritise to drive improvements in the taxpayer experience?
- 2.2 There are a number of areas which would help to drive taxpayer experience, largely focused on HMRC's digital systems. As noted above, we consider amendments to the legislative framework need to be developed with input from those designing and creating the digital systems that will implement the changes.
- 2.3 **Taxpayers should be able to see their full liability in one place**

We support the concept of pulling together services for taxpayers under one umbrella of the *Single Customer Account*. A move towards a Single Customer Account would be consistent with HMRC's Charter aims to "*provide services that are designed around what you need to do, and are accessible, easy and quick to use*".

It is unhelpful having standalone services such as the UK Property Service outside the Personal Tax Account. Within that account though, it should be possible to see the tax liability on an itemised basis, not just all elements added together into a global sum.

It is also important that *all* taxpayers – not just individuals and companies but also trusts and estates – and their agents should have access to a single account.

- 2.4 **Agents need access to all that their clients can see and do.**

From the perspective of agents, one of the most useful changes which would help to drive improvements would be to allow agents to see and do all that their clients can online. This is not currently possible for all services which means that agents cannot easily see the full picture required to effectively and efficiently advise taxpayers on their obligations.

- 2.5 **Agent Authorisation needs to be simple and centralised**

For those who choose to use an agent to act, there needs to be a clear and consistent way to appoint the agent with authorisations centralised in one place. Once authorisation has been granted for a specific tax or service, the agent's authority should then apply across all channels of communication with HMRC including telephone, letter, webchat and online services.

At the current time there are different routes for different taxes and not all authorisations are created equal³. The paper 64-8 for example covers self-assessment for individuals, partnerships and trusts, tax credits, corporation tax, PAYE and VAT, but does not cover PAYE online, MTD for VAT, MTD for ITSA or VAT online services.

For a number of new services which HMRC has developed, there is a separate *digital handshake* process which agents need to complete in addition to any pre-existing authorisations for the client. This includes agent authorisation routes for MTD for VAT, MTD for ITSA, the UK Property Reporting service and the Trust and Estate Registration Service. A digital handshake is also required for ATED (Annual Tax on Enveloped Dwellings). No two digital handshakes follow precisely the same steps, nor does a digital handshake necessarily give the agent authority to communicate via phone or letter.

³ Full details of the range of agent authorisations and the channels through which the agent can then contact HMRC are set out on pages 22-25 of [Agent Update 81](#) published in December 2020.

Taxpayer experience would be greatly improved if authorisations, whether online or on paper, applied equally across all channels of communication and if online authorisations like the digital handshake could follow standard steps.

2.6 *HMRC's systems need to be able to talk to each other*

As part of MTD for VAT and ITSA, taxpayers are being required to develop digital links to ensure that their record-keeping all links together so that transaction information can flow into accounting and tax software packages without manual intervention.

It would be similarly helpful if HMRC's own systems were better able to talk to each other. Recent policy changes have required the development of standalone systems such as the UK Property Reporting Service which does not integrate with the self-assessment system and requires manual intervention where the individual is in self-assessment and a refund arises⁴.

All new policies should consider the existing and potential future frameworks of HMRC's systems and how the policy will integrate into these without introducing more complexities for taxpayers (and their agents) and HMRC officers.

2.7 *More support for digitally excluded and digitally-challenged people*

While it is understandable that HMRC focuses development on meeting the needs of the majority of users, as a Government department they ultimately need to be accessible to *all* users. This is acknowledged in the Consultation on page 7 where it talks about 'ensuring accessibility is not a barrier for any customer'.

We should acknowledge at this point the support that HMRC provides through their Enhanced Support Team (EST) who are specially trained to assist those who might need extra help because of physical or cognitive difficulties or mental health conditions. This is exceedingly valuable.

However, this is a small team and access to their support is, necessarily, triaged through the various helplines to ensure the team is not overwhelmed.

The EST supports a significant subset of the group described by HMRC as *digitally excluded* – those for whom for reasons of age, disability, religious beliefs, remote location or other reason are unable to engage with HMRC digitally. The EST are not however designed to cope with all (although they will support some) of the much wider group of people which we term the *digitally challenged*, who do have access to the internet, maybe email, but for whom carrying out transactions online and handling user names, passwords and multifactor authentication are challenging.

We would like to see more support for this more general group of the digitally challenged, as well as the digitally excluded. We think the online guidance for the digitally challenged - and for those helping them - could be much clearer and include screenshots/videos of each step of the process starting with the creation of the Government Gateway.⁵ In general, understanding of what the Government Gateway is and how it relates to the Personal Tax Account is low.

⁴ See [ATT news article](#) published 28 June 2021 on the issue for further detail.

⁵ See for example the level of detail in the [Barclay's video](#) on signing up for online banking, compared to HMRC's Youtube video on the Personal Tax account (https://www.youtube.com/watch?v=rz2P_l8dMd8) which was uploaded in February 2016.

The digitally challenged also need support and guidance as part of the process of setting up both their username and their password securely – including how to create a secure password.

2.8 *Improved guidance on systems and processes*

The user experience is also significantly impacted by the amount and quality of guidance available. In addition to technical guidance, which needs to accurately reflect the underlying legislation and which it should be possible for taxpayers to rely on, there also needs to be guidance on using and interacting with HMRC systems.

It would be helpful to provide both written guidance (perhaps in the form of FAQs) on how to deal with specific situations and also guidance such as screenshots or videos to walk people through the process. Too often we are told that the process will be ‘intuitive’ when it is not and so no guidance is provided. In two recent situations (the UK Property Reporting Service and the Trust Registration Service) we have had to provide our own guidance to members on how practically to operate the systems⁶.

2.9 *Q2. Where is the tax administration framework creating challenges to the trust that taxpayers place in the tax system and HMRC’s administration of it? How could the framework be reformed to address these challenges?*

2.10 Challenges to trust arise more in operations than necessarily with the underlying legislation itself. Taxpayers and their advisers lose trust in the system when errors arise as a result of automated processes – which HMRC officers can then struggle to put right – or when HMRC’s systems do not talk to each other.

2.11 Similarly, trust is lost when it takes a long time for HMRC to deal with correspondence – so we can appreciate HMRC’s desire to move more elements of administration into automated processes.

2.12 See also our comments at 7.8.

2.13 *Q3. Do you agree that these are the right overarching objectives to guide this review or do you believe there are others it should consider? Do you feel that some of these objectives are more important than others?*

2.14 In general, we agree that the suggested overarching objectives are appropriate but as discussed below at 2.21 we would like to see the inclusion of three more important objectives.

2.15 *Comments on proposed objectives*

Of those suggested, we consider the most important to be:

- Clarity over what taxpayers, intermediaries, third parties and HMRC need to do and by when
- The provision of certainty and appropriate safeguards for taxpayers
- Simplicity and transparency
- The reduction of costs to taxpayers of meeting obligations (and reducing costs to the Exchequer).

2.16 We have highlighted ‘clarity over what taxpayers, intermediaries, third parties and HMRC need to do and by when’ as opposed to the preceding wording in the consultation (page 12, third bullet) ‘supporting HMRC’s aim to make it easy to get tax right and hard to get it wrong’ as there are a large number of areas of tax where there are not clear ‘bright lines’⁷ and therefore even with the best will in the world it is difficult to obtain the

⁶ See <https://www.att.org.uk/uk-property-reporting-service-users-guide> and <https://www.att.org.uk/how-update-trust-register>.

⁷ The classic example here is IR35 where there have been a number of tribunal cases in the last 20 years. The cases have not always gone in HMRC’s favour. This illustrates that there is not always a clear ‘right’ answer in these cases.

correct answer. The framework can though have an objective to set out clearly what taxpayers are expected to do and by when.

- 2.17 We have highlighted the final objective of 'reducing costs for taxpayers of meeting their obligations' as important. This aligns with the Charter commitment of *Making things easy - We'll provide services that are designed around what you need to do, and are accessible, easy and quick to use, minimising the cost to you*. The objective has not been met in recent years with the introduction of measures such as MTD for VAT and the UK Property Reporting Service which have *increased* costs of compliance for taxpayers.
- 2.18 Under MTD for VAT, businesses have been required to incur both one-off, transitional costs and increased ongoing costs in respect of software and/or agent support. For many taxpayers (and their agents), these costs have been far greater than estimated. The results of a joint survey of ATT and CIOT members last year following the introduction of MTD for VAT, identified that for the vast majority of taxpayers, the costs of MTD compliance had far exceeded Government estimates. While the average transition cost was estimated by HMRC to be just £109 per VAT-registered business, less than 10% of respondents estimated their (or their clients') costs at or below that amount, with 45% of respondents estimating costs between £109 and £500 and some 12% estimating costs over £5,000.⁸
- 2.19 As we approach the introduction of MTD for ITSA, which will bring an even greater population of taxpayers within quarterly reporting and digital record keeping, we consider it very important that HMRC has regard to the costs this is imposing, particularly on smaller businesses.
- 2.20 Members also report to us that the introduction of in-year reporting of UK residential property disposals by UK residents from April 2020 (a development of similar rules for non-residents dating from April 2015) via the UK Property Reporting Service has significantly increased compliance costs for taxpayers both because it has effectively duplicated the reporting requirements for taxpayers within self-assessment and because of the time spent getting authorisation via the digital handshake.

2.21 *Additional objectives*

In addition to the objectives above, there are three further specific additions we would like to see. Firstly, we think that the revised tax administration framework should also provide taxpayer-focused routes to the resolution of issues. We comment on this in our response below to Chapter 7.

- 2.22 Secondly, while support for taxpayers who need extra help is mentioned under the provision of certainty and safeguards, we think this merits a greater emphasis with a separate, specific objective to support both the *digitally excluded* and *digitally challenged* to engage with HMRC services. This would be in line with HMRC's separate principles of support for taxpayers who need extra help⁹.
- 2.23 Thirdly, we also think that, in line with the Charter commitments of 'recognising that someone can represent you'¹⁰, the objectives for the framework should include a specific objective around facilitating a taxpayer to appoint an agent to act for them.
- 2.24 Q4. *How could the review ensure the best coverage of viewpoints and expertise from those who depend upon the tax administration framework? Are there particular models of consultation engagement or collaboration that could work well?*

⁸ <https://www.att.org.uk/technical/news/press-release-survey-results-contradict-government-claims-realising-benefits-digital>

⁹ <https://www.gov.uk/government/publications/hmrc-charter/hmrcs-principles-of-support-for-customers-who-need-extra-help>

¹⁰ <https://www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter>

Q5. Are there other international examples or models of tax administration that could inform this review of the UK's tax administration framework?

- 2.25 We have no comments to make on these questions.

3 Chapter 3: Ensuring consistent obligations for people to enter and exit the tax system

- 3.1 *Q6. What are the key challenges with the current legislative provisions relating to the identification and registration of taxpayers?*

Q7. What benefits of the current legislation should be preserved?

Q8. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of identification and registration of taxpayers?

Q9. Are the current approaches to the timing of registration still appropriate, or are there opportunities for reform?

- 3.2 The key challenge in most cases regarding registration is ensuring that the taxpayer is aware of their obligations. Assisting taxpayers to register at the appropriate time will require a combination of education (including perhaps reference to tax in schools), guidance, appropriate prompts and easy to use systems. In some cases, it may also be reasonable to involve third parties (eg banks, solicitors, estate agents etc) to provide prompts and nudges.

- 3.3 The Consultation notes that there needs to be a balance between HMRC and the taxpayer as to who is responsible for instigating or beginning registration. Traditionally the onus to register has always fallen on the taxpayer as part of taking responsibility for their own affairs, but there have been a number of occasions where taxpayers who have missed their obligations (see for example various First and Upper Tier Tribunal cases in recent years in respect of non-resident CGT reporting and the High Income Child Benefit Charge) have had the resulting late filing penalties quashed on the basis that their lack of knowledge was a reasonable excuse.

- 3.4 It is a difficult balance, as while HMRC cannot practically remind individuals of every possible tax charge that could apply to them, the tax code is so complex that it can be very difficult for taxpayers to keep up. Therefore, timely and appropriate prompts from HMRC, based on the data held, to help taxpayers identify when an obligation to register arises do have a role and would help to build trust and confidence in the tax system.

- 3.5 Care should also be taken in penalising those who register late. While obviously those deliberately evading their responsibilities should be penalised, if a taxpayer who is otherwise acting in good faith finds that their first experience of the tax system is to be told that they are late and to receive a penalty, it does not start them off on a good footing and creates resentment – which is unlikely to encourage willing compliance.

- 3.6 Examples of situations where prompting would be beneficial include disposals within scope of the '30-day reporting rules' which must be reported via the UK Property Reporting Service. The requirement to calculate, report and pay CGT in year on disposals of UK residential property is a major change to the tax system and a number of taxpayers have incurred late filing penalties in the early months of the scheme. (Similarly a number of non-residents incurred penalties when similar rules were brought in for them in April 2015.) HMRC is aware through self-assessment who has rental income and it would perhaps not be unreasonable to enhance messaging about the 30-day requirements in rental guidance on GOV.UK and remind those taxpayers through

their Personal Tax account or similar of these rules. Since this would not reach all those within scope of the rules, the OTS have gone further and suggested requiring conveyancers to help improve awareness by requiring them to provide information about the measure to vendors.

- 3.7 The High Income Child Benefit Charge is another potential charge where individual taxpayers would benefit from an HMRC prompt and being given the opportunity to consider if it applies to them.
- 3.8 The challenge for HMRC is determining an appropriate level of prompting. Too many irrelevant prompts will not help build trust in the system and could lead to 'prompt fatigue' amongst taxpayers. However, allowing individuals to opt out of prompts could mean that they fail to meet a future obligation that arises from a change in circumstances. At the moment, we suspect that the balance is slightly towards taxpayers receiving too few relevant prompts, rather than too many, with members often asking why HMRC does not make better use of the data it has to suggest necessary actions to taxpayers.

3.9 *Consistency of approach*

The Consultation also highlights the potential for a more consistent approach to registration. Where we think a more consistent approach would be most helpful is in the *mechanisms* or *method* of registration, with processes following a similar theme and using existing information held to at least partially pre-populate forms. A *Single Customer Account* where taxpayers know that they can start any registration would be a welcome simplification over interaction with separate, free-standing systems and separate agent authorisation routes.

- 3.10 This approach would also allow for HMRC systems to pre-populate forms with data which has already been provided. Such an account could also be the route via which HMRC might provide prompts regarding other obligations as noted above.
- 3.11 We think it would be challenging to impose a more consistent approach to the *timing* of registration since different taxes often have different deadlines for new taxpayers for very good reasons. Registration for payroll is driven by the taking on of a first employee, and there is little to be gained by registering in advance when the business might not know if it intends to take on an employee. VAT is a transactional tax and therefore notification will necessarily be earlier than for periodic taxes like income tax or CGT. It would be inappropriate to try to align registration timescales for transactional taxes like VAT with event-driven taxes such as Inheritance tax.
- 3.12 The Consultation also suggests moving registration for taxes closer to the start date of the activity that has triggered the liability. We assume that these comments are most relevant in relation to periodic taxes such as income tax – for example on commencement of self-employment or receipt of rental income, with individuals perhaps registering as self-employed or new landlords closer to their start of trade or letting - rather than transaction taxes like VAT or SDLT which already have tight timetables. There will also be an interaction with the rules for MTD for ITSA and quarterly reporting.
- 3.13 As it stands, individuals are required to register for self-assessment income tax by 5 October following the end of the tax year in which the trade commences. We can see how the registration date for new letting businesses could be moved forward from this date more easily, producing a requirement to register within three months of first receipt of rental income for example because it is clear that a letting trade has commenced. For self-employed sole traders however, particularly those with part-time businesses who are not sure if they are likely to exceed the £1,000 trading allowance, it is often not clear in the early days of the business whether or not registration will be required.

4 Chapter 4: Improving the way tax liabilities are calculated and assessed

4.1 Q10. What key issues relating to the way tax liability is established arise within the existing legislative provisions?

Q11. What benefits of the current legislation should be preserved?

Q12. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of calculating and assessing tax liabilities?

Q13. How could tax return obligations and processes be updated? What should a 'tax return' look like in a digital tax system?

Q14. How could HMRC better establish tax liability in future, to help build trust in a tax system that people see as fair and even-handed?

4.2 *Priorities for calculation of tax*

We consider that the key priorities for calculating and assessing tax include:

- Taxpayers should be able to see clearly how the amount of tax that they are required to pay has been arrived at so that they can check and review it (or ask their agent to).
- Where HMRC is preparing the computation based on information they hold, it should be clear where the data has come from.
- Taxpayers should understand how to challenge or amend computations, especially when third party data has been used and know the timescales in which they should do this (as noted in our comments in section 5).
- The computation should use the most up to date information available to HMRC and make it clear if historic data has been rolled forward from previous years. PAYE codes for example contain a lot of data (eg reliefs and allowances such as Gift-Aid figures, job-related expenses and pension contributions) which are rolled forward year on year without question.
- Taxpayers should be able to access clear and reliable guidance setting out how to calculate their liabilities.
- For situations where taxpayers are not required to report regularly (for example as occurs with Inheritance tax), it remains appropriate for them to be able to ask HMRC to complete the calculations based on the information provided.

4.3 Ensuring that taxpayers can understand what income sources have been assessed and where information has come from is a key part of transparency and trust. This is particularly relevant in the context of P800s which are automatically generated by HMRC as part of an annual cycle and, for those outside self-assessment, are often their only contact with HMRC in the year. Every year we receive reports of concerns from members where income sources have been omitted from P800s resulting in incorrect repayments, expenses and deductions have been carried forward which no longer apply, or that P800s have been inappropriately issued to those in self-assessment. Improving the systems and processes here to increase confidence in the data and make it easier for people to understand what information HMRC has used to establish their liability and what they need to check would be helpful.

4.4 *Use of Digital Processes*

The Consultation notes that the standard self-assessment procedure involves multiple stages and mistakes can arise. That there are layers of operations is an inevitable consequence of income tax and what is allowable and what is not for tax purposes. For each transaction it is necessary to make a number of decisions about the nature of each item recorded. For a given item of expenditure (setting aside any decisions over whether or not the cost includes VAT and, if so, how much of it can be reclaimed), it is necessary to consider

- Is the transaction revenue or capital?
 - If revenue, is the amount tax deductible or should it be disallowed in whole or in part?
 - If capital:
 - Is the Annual Investment Allowance available? If not, at what rate can allowances be claimed?
 - Is Structure and Buildings allowance available?
 - Or is the cost to be carried forwards as a deduction against future CGT on disposal?
 - When is that expenditure treated as incurred for tax purposes?
- 4.5 As an example of how complex these matters can be, HMRC manual BIM46400¹¹ highlights all the possible issues that might need to be considered in respect of an item flagged as a legal expense. It is not possible for a digital system to identify if any of the relevant restrictions apply without asking a large number of questions about each transaction.
- 4.6 There will therefore always be a practical limit to how much digitalisation can achieve and we would argue that a great deal of what HMRC might view as errors which contribute to the tax gap arise in that process of classification, rather than basic bookkeeping. One approach therefore to assist with building trust might be to allow more scope for taxpayers to declare any areas whether they felt the classification was unclear and disclose the decision they have taken. There are many areas where there is not a clear cut off and if the taxpayer had the opportunity to highlight areas of greyness and give HMRC the opportunity to consider their view of the position – combined with some protections for the taxpayer in respect of discovery having taken this approach - this might help build a sense of collaboration and assist in fairness and trust. It would also be in line with the current proposals for large businesses to notify HMRC where they have adopted an uncertain tax treatment.¹²
- 4.7 Linked to this point, and as more interactions are moved online onto digital forms, we think it is important to continue to allow taxpayers the use of a ‘white space’ or similar free text space as found on the self-assessment SA100 form. This will allow for flexibility and minimise the problems which arise where a situation does not fall neatly into the proforma provided.

4.8 *Cash basis*

One approach which could perhaps help to simplify the affairs of smaller corporate businesses would be to remove or reduce the amount of classification decisions over revenue or capital expenditure by expanding the cash basis used by small unincorporated businesses to incorporated businesses. Such small companies are often already managing their affairs on a cash basis and the full analysis into accruals accounting may not always be relevant.

¹¹ <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim46400>

¹² <https://www.gov.uk/government/consultations/notification-of-uncertain-tax-treatment-by-large-businesses-second-consultation>

4.9 As a wider point, we have had the cash basis for over ten years now and it may be a good opportunity to review the potential for extending it more generally and consider if the current limits on size remain appropriate. The cash basis can help solve the issue of revenue or capital classification for many unincorporated businesses, but the £500 cap on loan interest is a barrier to usage as it does not take a huge plant and machinery purchase on hire purchase to breach that limit.

4.10 ***Capital allowances***

Alternatively, another way to deal with the capital/revenue classification issue might be to allow a de minimis threshold below which the smallest businesses could expense any expenditure might be helpful. For example, allowing all expenditure below £1,000 (which is wholly and exclusively for the business) to be expensed without having to consider in detail whether it is capital or revenue in nature, qualifying or non-qualifying for capital allowances etc. Although the Annual Investment Allowance (AIA) is like to cover the qualifying expenditure of most smaller businesses in full, it still requires analysis of expenditure to determine whether it is capital or revenue in nature and, if capital, whether it qualifies for capital allowances and the AIA.

4.11 ***Simplification of capital allowances***

The differing rates of capital allowances (e.g. normal plant and machinery vs integral features) also cause some confusion. If businesses could apply a single rate, this would be a simplification and, by removing another classification decision, might help to reduce errors.

4.12 ***Basis periods***

The Consultation also mentions the potential to consider changing the position with respect to basis periods. We agree that these rules can be very complicated, especially when it comes to opening and closing years of an unincorporated business. However, once a business gets past the first couple of years there are few real issues unless the accounting date has changed. Reforming the current rules such that tax is calculated by reference to the profits arising in the tax year (as opposed to the profits of the accounting period ending in that tax year) would however make the introduction of future reforms, such as MTD for ITSA or a move to more timely tax payment, easier to manage.

4.13 ***The future of the tax return***

In future, we think a tax return will not look like a tax return but a much less threatening online form. It would be good if it could include hints, tips and links to further guidance which would be particularly helpful for the unrepresented taxpayer.

5 Chapter 5: Using data and information to make tax compliance effortless for the majority

5.1 *Q15. What key issues do the current legislative provisions relating to the provision and use of data and information present?*

Q16. What benefits of the current legislation should be preserved?

Q17. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of data and information?

Q18. What principles should govern HMRC's collection, use and onward transmission/sharing of taxpayer data?

Q19. What additional safeguards would be needed for taxpayers and third parties if the role of third parties/intermediaries was expanded?

- 5.2 We have previously provided our feedback on the use of third party data to the OTS as part of their review ‘Making tax easier through smarter use of third party data’. While we agree that it makes sense and is beneficial for taxpayers for HMRC to maximise the use of the data held by other parts of Government (particularly state pension and taxable benefits) and that it receives from third parties, we have concerns around the process of correcting errors when data is supplied by third parties. It is important that taxpayers have access to clear, simple and timely processes to challenge and correct errors made by HMRC systems/processes – or indeed by the third party themselves. It is particularly important too that unrepresented individuals feel confident enough to challenge data held and understand their responsibilities to review and correct data.
- 5.3 Members have expressed concerns that a proposed route which places the onus on the individual to get data corrected by the third party and re-sent to HMRC would be impossible to achieve in peak periods like January and be burdensome and time-consuming during other periods of time, as there is no obvious incentive for third parties to allocate resources to this work (other than to demonstrate good customer service).
- 5.4 Before further data is collected, we would like to see more work done to build confidence in the existing processes. Even for a ‘simple’ piece of information such as bank interest, there can be a number of complexities which mean pre-population does not occur accurately. These include joint accounts held in varying proportions, trust and estate accounts where the name of the account may not match the name of the taxable person, or exclusion from data provided of accounts closed in the year.
- 5.5 Given that even ‘simple’ transactional data presents many challenges, careful thought needs to be given to how appropriate it is to consider collecting more complex data. If requests for data are extended to letting agents for example, it is likely that there will need to be significant education on tax rules before any data shared would be suitable for use. Equally, members have expressed concerns about the quality of CGT reports from investment portfolio managers. Historical costs are not always accurate and portfolio managers cannot take account of pooling if the individual has shares held elsewhere.

6 Chapter 6: Tax payments and repayments

6.1 *Q20. What key issues do the current legislative provisions relating to payments present?*

Q21. Are there any particular benefits of the current legislation that should be preserved?

Q22. What benefits could a single/reduced set of payment rules, applied across the taxes, bring?

Q23. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in relation to payments?

- 6.2 We have responded in detail to the issue of tax payments and repayments in our response to the call for evidence into Timely Payment¹³ which was issued alongside the Consultation. What follows are some general additional points.

¹³ Our submission to this consultation will be available on <https://www.att.org.uk/technical/submissions> once it has been submitted.

- 6.3 The Consultation highlights a number of different payment processes in respect of four different taxes – income tax, corporation tax, VAT and beer duty. While this helps to illustrate the range of methods of tax collection, we do not think a single set of payment rules would be appropriate for all taxes. It is not, for example, meaningful to compare beer duty which is a transaction based tax, with income tax which is a periodic tax.
- 6.4 There may be some benefit in a reduced set of rules for paying and obtaining refunds, but only where taxes are comparable and paid by similar entities who will then benefit by only needing to understand a more limited set of rules. Such situations might include income tax, CGT and class 2 NICs, which are all paid by individuals via self-assessment, and income tax and CGT for trusts and estates.
- 6.5 Beyond those types of cases, there are often good reasons for differing timescales –Inheritance tax (IHT) for example is not due until six months following the end of the month of death because it is simply not possible to establish the liability any sooner. (In fact many people will be making an estimated payment on account at that point as the position is still not yet known.) In contrast, SDLT is due within 14 days of completion of a purchase, because it is based (with a few exceptions) on a clear, known transaction value which (prior to the introduction of the non-resident surcharge) is not dependant on other factors beyond that single transaction.
- 6.6 In terms of the potential to harmonise deadlines we can see the appeal but consider that this is difficult to discuss outside the context of each individual tax. However, this may be an area where some general principles could be established around minimum periods. In general, the more complex the tax and the more manual intervention or judgement is required, the more time the taxpayer may need to make a meaningful report of their position.
- 6.7 The greatest benefit is likely to come in common *processes* for payment and obtaining repayments for the individuals or entity concerned, for example via a single digital account.

6.8 *Other benefits of the single digital account or common processes*

While not entirely a payment issue, one area which would benefit from common processes and better integration of HMRC system is self-assessment/income tax. There are specific interaction issues between self-assessment and Class 2 NICs as well as the UK Property Reporting Service.

- 6.9 The interaction between Class 2 NICs and self-assessment has never been satisfactory since the transfer of Class 2 from a separate payment to collection via self-assessment in 2015-16¹⁴. Ever since that change, each year we receive a number of reports from members of cases where, despite the individual self-assessing themselves as liable to the charge and including it in their computation, their Class 2 payment is returned to them because the correct flags have not been set on HMRC's systems. This is an issue which has been escalated via the Issues Overview Group and there is dispute between HMRC and representative bodies over whether this is a system failure within HMRC or a failure by the taxpayer to register their self-employment correctly. Either way, because HMRC is unable to reconcile those who are attempting to pay via the self-assessment system with the list of people flagged as due to pay Class 2 on the National Insurance and PAYE System (NPS system), each year people end up unable to pay their Class 2 liability and having to spend a great deal of time and trouble arranging to get their refunded payment credited to their account. Those who do not realise the problem and do not act to fix it, could lose out on future state pension or benefit entitlements through having an incomplete NI record.

¹⁴ For a fuller explanation please see <https://www.att.org.uk/class-2-nic-computers-refunded-contributions>.

- 6.10 There are also complex interactions with voluntary Class 2 NIC payments if the individual files their return late or pays late. HMRC processing rules do not allow for voluntary Class 2 NICs to be included in the self-assessment calculation for returns filed after 31 January¹⁵ and complexities arise with Time To Pay arrangements if an individual pays their self-assessment bills after the self-assessment deadline. All of these issues could be avoided if Class 2 NIC deadlines and processes were more effectively merged into self-assessment.
- 6.11 Where HMRC has attempted to introduce simplified procedures – for example Simple Assessment or the ‘real time’ transaction report for CGT – this has often introduced yet more confusion because the services do not have the clear, statutory basis of the self-assessment process and tend to exclude agents.
- 6.12 Any simplified processes need to have a clear statutory basis with clear identification of the populations to be included, and also the option for taxpayers to opt back in to the ‘full’ service (self-assessment in this case) if that better suits their needs. Taxpayers need clear routes to question any liability, rights of appeal and also ability to access payment plans. (Time To Pay is not currently formally available to those who receive a Simple Assessment.)
- 6.13 The two most common complaints we receive from members in the area of tax liability concern communication of the liability and obtaining repayments. In terms of communication, taxpayer experience would be enhanced by making it easier to see clearly what their liability is for each tax at any given time, when tax is due and what they have paid.
- 6.14 For those who can access digital services, this could be pulled together online – for those who cannot, clear paper statements showing their liabilities and how payments are matched would be helpful. We often receive reports that self-assessment statements are unclear, particularly when individuals pay in advance, as HMRC is not able to offset payments received against future debts, so people will see a demand for one figure and also that they are in credit by the same amount. More explanation or perhaps ‘interim’ allocations on statements might help here.
- 6.15 Information on tax liability and payments made is needed across all taxes and all groups of taxpayers, including trusts and estates. IHT systems in particular are outdated, with difficult to follow statements. For many people acting as executors for family or friends, the IHT payment they make on behalf of the estate will be the largest sum they pay to HMRC in one go, and yet when an executor makes a payment of IHT (or a payment is made on their instructions directly to HMRC from a bank or building society) no remittance is issued to confirm that HMRC has received the funds safely. Despite making this clear on GOV.UK, we understand that HMRC trust and estate helplines regularly receive calls from executors seeking confirmation of receipt. In general, all taxpayers (including estates) should be able to see what tax they have paid and when. If a digital service is not available, then a paper acknowledgement would be welcome.
- 6.16 Agents also need equal access to all this information as they are often engaged in reconciling differences and discrepancies which might arise from interest, surcharges or penalties. It is also important that the information that taxpayers and agents can see and HMRC staff on helplines can see is the same. This might seem obvious, but members have reported to us that what can be seen on a client’s account for PAYE and what HMRC helpline

¹⁵ See here for notification of issues following the extended filing deadline for 2019-20 returns - <https://www.att.org.uk/technical/news/voluntary-class-2-nic%20%99s-where-self-assessment-return-filed-after-31-january-2021>

staff can see in respect of the same account is laid out differently, making it difficult to resolve issues over the phone.

- 6.17 In respect of repayments, we often receive complaints that repayments are not made on a prompt basis. Issues in the past year have arisen over delays with self-assessment, corporation tax and R&D claims. While we appreciate that HMRC needs to carry out security checks, clearer communication (perhaps via a digital portal) of where repayment claims are up to and when they might be processed is vital, as agents often spend significant time chasing repayments for clients.
- 6.18 In general, it would be helpful too if there was provision for individuals and smaller businesses to make more frequent instalments. Such instalments should be voluntary and have straightforward methods of either recovery or the ability to pause payment if it becomes apparent that too much is being paid on account. The current system is little known and underused. We have discussed this further in our response to the consultation on Timely Payments.
- 6.19 We also think that HMRC should continue to encourage early contact from those struggling to pay taxes in order that they can receive appropriate support. The extension of the Time To Pay facility during the pandemic has been welcome, especially for those with debts of under £30,000 who were able to apply online.
- 6.20 We note that HMRC has been increasingly alert to, for example, mental health issues of those struggling with tax debt and this is welcome and should continue.

7 Chapter 7: Building in effective methods of verification, sanctions and safeguards to promote compliance

- 7.1 Before responding to the specific questions on Chapter 7, we think it important to focus on an aspect which receives little attention within the Consultation. Chapters 2 and 7 both make brief reference to the appeal and review processes but neither goes into detail. Nor is there any wider reference to the resolution of issues – using that term in its widest possible meaning to embrace anything from “how do I ...?” to matters arising in a formal compliance intervention.
- 7.2 Both the Financial Secretary’s foreword to and Chapter 2 of the Consultation refer to elements of the UK’s tax administration framework being over 50 years old. Equally important is the extent to which the UK tax landscape has changed in that period. The Appendix to this response summarises some of the key changes.
- 7.3 That summary is not a nostalgic trip. Nor is it intended to be comprehensive. Our purpose in including it in this response is simply to emphasise how:
 - the immediacy and accessibility 50 years ago of the tax authority to taxpayers (including repayment claimants); and
 - in most cases, the associated relative lack of formality in resolution of most issueshas been impacted since then by:
 - the subsequent transfer of responsibility for getting tax right from the tax authority to the taxpayer or (in the case of indirect taxes) from manufacturer to retailer;
 - the transfer of HMRC’s responsibility for the tax details and records of any taxpayer (and any related decision making) from a specific tax official in a specific tax office (which was often but not always local to their home) to online access by any authorised official (usually in a call-centre) from any HMRC location in the UK;

- the almost complete disappearance of opportunities for taxpayer-initiated face-to-face interaction with the tax authority;
 - the increasing reliance by the tax authority on machine-generated communications with taxpayers, including the determination of penalties;
 - the increasingly formalised and remote approach to both enquiries and resolution of issues; and
 - the prospect of a diminishing role for human beings in the provision of information to HMRC, in HMRC's interrogation of that information and in HMRC's (virtual) determination of any consequences following such interrogation.
- 7.4 Capitalising on advances in information technology which were still the stuff of science fiction when much of the existing tax administration legislation was created and responding to economic pressures, successive administrations have accepted the concept of a much leaner tax authority (in terms of human capital) with consequently greater reliance on taxpayers to get things right. Notwithstanding the continuing high level of motivation and commitment to public service of those working within HMRC, the result has been the creation (or at least the perception) of a much less user-friendly and remote tax authority.
- 7.5 The Financial Secretary's foreword to the Consultation refers to the vision of *a fully digital tax system able to support all the needs of taxpayers*. We naturally welcome the commitment to a system which supports all the needs of taxpayers and we can understand the commitment to a comprehensive digital system but we do not believe that the latter can of itself deliver the former. We think that it is essential to build into the system the capacity for conventional human contact (initiated by either the taxpayer or HMRC) in order to resolve issues more effectively for the benefit of taxpayers, the tax authority or both. In saying this, we are definitely not advocating the construction of parallel digital and non-digital tracks for every process. What is needed is an effective AA/RAC-type service to get the taxpayer who is experiencing any issue to their destination in a timely, efficient and user-friendly manner.
- 7.6 Our answers to the following questions are framed by this background. Some of our comments have relevance to earlier questions in the Consultation and should be read accordingly. The breadth of the questions means that our answers are necessarily selective.
- 7.7 *Q24. What key issues do the current legislative provisions relating to powers, sanctions and safeguards present?*
- 7.8 The appeal procedure is not well suited to the resolution of more minor issues. Its increased formalisation was necessary to tie in with the transfer of jurisdiction to the First-tier Tribunal. In the process, however, that may mean that a significant volume of HMRC decisions are unquestioned - not because there are no grounds for appeal but because the perceived effort and/or cost is not justified. This does not build trust and confidence in the tax system.
- 7.9 The statutory review system can work well in resolving issues. This is particularly true in the case of appeals against automatically issued penalties where it introduces human consideration into the process. However, the statutory review process is currently constrained by the legislation or, as we would contend, its interpretation and application by HMRC. It is frequently asserted that the legislation required the review to be confined to the decision-making process as distinct from the decision itself. That view is supported by a reading in isolation of s.49E(3) TMA1970 which focuses on consideration of "steps taken" but it is not supported by the requirement in s.49E(1) which requires a review of "the matter in question" or s.49E(4) which requires the review to take into account representations made by the appellant. Our purposes in referring to the specific sub-sections is to highlight that it may be the interpretation rather than the legislation itself which needs reconsidering.

7.10 We believe that the statutory review process has the potential to be used effectively as an alternative to appealing to the tribunal in relation to the resolution of more minor issues. We think that this would serve the objective of building trust and confidence in the tax system. To achieve that, we consider that:

- The legislation should, if it is necessary, be amended to ensure that it does not constrain consideration of the decision (as distinct from the decision making process);
- Access to the review process should be decoupled from the appeal process in relation to direct taxes – simplifying the process and avoiding the implications of the appeal process;
- HMRC should more positively encourage representations by the taxpayer in order to ensure that there is a proper understanding of what the taxpayer sees as the matter in question. (We note that some amendment to the legislation might be required in respect of the time periods specified in s.49E (6) and (7) to accommodate the time needed for request by and receipt of representations by HMRC.)

7.11 We appreciate that our recommendations have resource implications but we believe that they have the potential to create some cost-saving (by avoiding the progression of matters to the tribunal which could be resolved more speedily and appropriately by the review). We also believe that a user-friendly review process could make a significant contribution to building trust and confidence in the tax system.

7.12 *Q25. What benefits of the current legislation should be preserved?*

7.13 It will be important for the flexibility in dispute resolution permitted by the current legislation to be retained. The introduction of the use of Alternative Dispute Resolution (ADR) has been a success story. At the time of its introduction, it involved a significant departure from the process under which disputes were being resolved – but it was accommodated within the existing legislative framework. We think that it may be appropriate to give ADR some specific recognition within any revised legislation – but not at the expense of constraining ADR's organic growth.

7.14 This point is of wider general application. It is important that the legislative framework stipulates the principles and steps applying to any processes but without limiting the scope for appropriate flexibility to allow innovation.

7.15 *Q26. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform to support taxpayers to get their tax right and deter non-compliance?*

7.16 Amongst the likely changes and developments which the framework will need to accommodate, we identify:

- Consideration and awareness of the extent to which some taxpayers may have recalibrated their moral compasses in relation to taxation as a response to hardship endured during the pandemic;
- Increasing devolution of taxes – including the possibility of regional taxes within England (for example regional income taxes or perhaps 'tourist taxes');
- Continuing development of the labour market including new models of employment and multiple sources of income (from employment, self-employment and pensions) – with scope for non-compliance (whether unwitting or intentional).

7.17 Key priorities for framework reform to support taxpayers to get their tax right and deter non-compliance include:

- Overhaul of appeals and statutory review provisions – please see responses to Q24 above;

- Easy access to clear and reliable guidance – as already mentioned in our responses related to Chapters 2,3 and 4;
- Relevant prompts and nudges – as already mentioned in our responses on Chapter 3;
- An improved tracking system within the Personal Tax Account to enable taxpayers to know ‘Where has my issue actually got to?’ rather than simply being told not to expect a reply for another four months – so that taxpayers do not conclude that their tax affairs are of no great significance to HMRC and in consequence lapse into non-compliance.

7.18 Q27. *What principles should govern HMRC powers, sanctions, and safeguards, to build trust in the tax system?*

7.19 The seven [Charter standards](#)¹⁶ are the obvious place to start in the particular (Chapter 7) context - just as much as in relation to any other interaction between a customer and HMRC. Critically, the Charter principles should be applied in every facet of HMRC’s work. That extends to defining the objectives and designing legislation as well as to its application. It would be simplistic to suggest that the problems with the loan charge would never have arisen if the legislation had conformed with the new Charter principles but, as a simple example, *Being aware of your personal situation* would hopefully have alerted someone to the possibility that an additional rate taxpayer might have had a significantly greater say in the construction of their remuneration package and whether to use a disguised remuneration scheme than a taxpayer who was on no more than average earnings.

7.20 In relation to the specific Charter commitment (within *Treating you fairly*) that “We’ll work within the law”, we think that it is essential that those officers who have responsibilities for the exercise of powers and sanctions have a solid grounding in underlying legal principles of general application. Being told that evidence presented by a taxpayer had to satisfy more than the civil standard of proof (more probable than not) in order to be accepted by an HMRC officer (a situation reported by one of our members) significantly dented trust and confidence in the whole of the particular interaction.

7.21 The possibility that “strengthened and clearer safeguards are required for taxpayers who need extra support” (page 28 of the Consultation) is an interesting concept. Our instinct is that it could prove very difficult to define which taxpayers should benefit from any such extra safeguard(s). All safeguards should, by definition, be clear. In principle, we incline to the view that all safeguards should apply to *all* taxpayers but that the application of the safeguards should be through the lens of the Charter principles. The Charter commitment (within *Being aware of your personal situation*) that “We’ll be mindful of your wider personal situation, and will give you extra support if you need it” is relevant in this context. However, it does rather suggest that the response to the identified personal situation is the provision of *support* as distinct from viewing the particular taxpayer’s actions (or inactions) from their perspective. The latter is what is required in the context, for example, of reasonable excuse or whether an act was deliberate. (This is not to say that the provision of extra support may not be precisely what is required; it is simply to highlight that the Charter wording embraces two different issues.)

7.22 Q28. *How should the framework maintain consistency and fairness between taxpayers and groups of taxpayers, while also providing HMRC with appropriate discretion to enable them to take account of individual taxpayers’ circumstances and wider concepts of fairness?*

7.23 We comment briefly in section 7.21 above on the implications of one aspect of the Charter to taking account of individual taxpayers’ circumstances. Applying the law through the lens of the Charter does not involve the

¹⁶ <https://www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter>

exercise of discretion. It involves the sensitive application of the law and the recognition that one size does not fit all.

- 7.24 We think that the reference to *wider concepts of fairness* introduces a separate issue. There can within taxation be situations of manifest unfairness regardless of the particular circumstances of the taxpayer concerned. Charging the equivalent of an annual interest rate of 1,800% for being one day late with a VAT payment (*Enersys Holdings UK Ltd* [2010] UKFTT 20)¹⁷ would offend the principle of fairness whatever the circumstances of the taxpayer. In that situation, the tribunal concluded that it was appropriate to consider proportionality. It may be appropriate to consider whether the introduction of a general principle of proportionality could usefully contribute to the maintenance of fairness (whether in relation to all or only specific taxes). If it was to be introduced, we believe that it would be essential for its application to be available at the time of the relevant decision by HMRC - as distinct from being exclusively available to the tribunal. Otherwise, it would in practice only be available where it was cost-effective for a taxpayer to go to the tribunal.
- 7.25 A possible alternative to considering proportionality (or perhaps as a way to introduce it) would be to consider extending the concept of *special reduction* (as found in FA2007, Schedule 24, paragraph 11 in the context of the quantum of penalties for errors) to other contexts. As with several other matters raised by the Consultation, this would need specific detailed consideration and would need to be the subject of separate consultation.

8 Chapter 8: Further Suggestions

- 8.1 Q29. Are there any further suggestions that you have for how the Tax Administration Framework could be reformed?
- 8.2 As noted in our introduction (section 1 above), we think it will be important to tackle the process in stages, with early priority being given to the rules concerning MTD for ITSA.

9 Contact details

- 9.1 We would be pleased to join in any discussion relating to the Consultation. Should you wish to discuss any aspect of this response, please contact atttechnical@att.org.uk.

The Association of Taxation Technicians

10 Note

- 10.1 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

¹⁷ <https://www.bailii.org/uk/cases/UKFTT/TC/2010/TC00335.html>

development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

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.

The Association has more than 9,000 members and Fellows together with over 5,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

Appendix to the ATT response to the Tax Administration Framework consultation**A brief overview of changes to the tax landscape over the last 50 years**

Fifty years ago:

- A greater proportion of taxpayers had to complete tax returns but the Inland Revenue calculated their liabilities;
- If a taxpayer needed to understand any tax issue, they could telephone, write to or simply drop into their local tax office and (regardless of which route they had adopted) get help from the same officer who had responsibility for their tax affairs;
- Questions were raised about proportionately far more tax return and business accounts but most were resolved in correspondence with relatively little formality;
- Estimated assessments meant that far more appeals were made but the vast majority of these were settled by agreement upon submission of the outstanding returns, accounts and information;
- Back-duty enquiries involved face-to-face meetings in the local tax office with an inspector who was likely to be familiar with the geography and socio-economics of the district;
- In the relatively rare event of a substantive (as distinct from a delay) appeal, it was heard by unpaid General Commissioners in a local solicitor's office in the High Street whose lack of understanding of the finer points of tax law was usually more than compensated by good sense and the occasional nudge from their legally qualified clerk;
- Over all of this, the District Inspector had substantial direct responsibility and significant discretion (young recruits to the inspectorate were promised in adverts that they could be "in command at 30");
- Purchase tax (the indirect tax on goods classified as luxury items) was (unlike VAT) imposed at the manufacturing or distribution end rather than at retail outlets and therefore required interaction with far fewer businesses.

Onto to that relatively stable landscape, we have over the subsequent 50 years seen major structural changes imposed including:

- The replacement of Purchase Tax with VAT in 1973 – applying to services as well as a much wider range of goods than Purchase Tax had done and involving far greater interaction between retail businesses and the tax authority;
- From the mid-1970s, more risk-based approach to enquiries regarding accounts and returns – enquiries becoming more selective and more in-depth;
- The independent taxation of married women from April 1990 – significantly increasing the number of taxpayers with whom the tax authority needed to interact;
- Self-assessment of income tax with effect from 1995 – radically shifting the responsibility for tax calculations to taxpayers and paving the way for the automated issue of some penalties;
- The merger of HM Custom & Excise and the Inland Revenue in April 2005 to form HMRC – involving the unification of two quite disparate traditions;
- The replacement of the unpaid and locally based General Commissioners by the First-tier Tribunal from April 2009 with its more regionally based hearing centres and more codified procedures;
- The phased conversion of the local district structure to a regional structure – with the vast majority of active interactions between taxpayers and the tax authority being through call centres;
- The closure from 2014 of over 280 HMRC Enquiry Offices where taxpayers could obtain face to face help in understanding their tax position.

- The growth of high volume tax repayment agents to make expense claims on behalf of multiple individuals.
- The introduction of MTD for VAT in April 2019

Within the near future, we will also see:

- The expansion of MTD for VAT and the introduction of MTD for income tax and corporation tax – requiring significantly more frequent (and wholly digital) interaction between taxpayers and the tax authority;
- Increasing numbers of taxpayers relying on technology to make decisions over how any given transaction is accounted for. This is already happening and will grow with MTD. Automation of accounting processing includes downloading bank transactions directly into software, automatic coding via algorithms, machine learning and optical character recognition to ‘capture’ invoices and post them directly into accounting/tax software without human interaction;
- Increased use of data analytics to identify problems and concerns which may need further investigation by HMRC;
- Increasing use of pre-population and provision of third-party data directly to HMRC and, for information going the other way, increased provision of APIs to provide information that HMRC holds to agents/taxpayers to use.