

Response to HMRC consultation on simplifying and modernising HMRC's Income Tax services through the tax administration framework

Association of Accounting Technicians (AAT)

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About AAT

- AAT is the UK's leading qualification and professional body for technical accountants and bookkeepers. We have around 51,000 members in over 100 countries and approximately 75,000 students studying our qualifications.
- Founded in 1980, AAT is a registered charity committed to increasing the availability of high-quality accountancy education and raising professional standards. We aim to advance public education, promote the study of accountancy, prevent crime, and promote and enforce standards of professional conduct for accountants.
- Over 600,000 small businesses are supported by more than 6,000 AAT licensed members to help build the businesses' financial capabilities.
- An AAT Accountant is a qualified accounting professional with the practical and technical skills needed to support businesses with their accounting activities. Typical job roles include: Financial Accountant, Commercial Analyst, Senior Finance Officer, Payroll Manager, VAT Accountant, and Tax Supervisor.

Executive Summary

- **AAT acknowledges that a digital by default approach is a sound principle.** The provision of easy to access digital services, like the proposed digital forms, will help achieve the aim of delivering more efficient services for taxpayers.
- **However, the core risk behind these reforms is the customer-facing element not being supported end-to-end.** HMRC continue to digitise when the current digital services are not yet in an acceptable position. AAT members have regularly voiced their frustrations in dealing with a mixture of digital and paper communications and the declining customer service levels provided by HMRC.
- **HMRC should focus on getting the current system working acceptably first.** This includes properly resourced customer services and guidance. If this is not delivered, the administrative benefits of digitisation will be lost.
- **The digitally excluded must be better supported with a new digital by default approach.** For example, those who are neurodiverse will struggle to read larger volumes of documentation and would be better served by calling a helpline to advise them on what to do. However, HMRC's telephone helplines and customer service is not at an acceptable level for this to be possible.
- **Digitisation does not always equate to simplification.** There are increasing signs that efforts to improve tax simplification centre almost exclusively on digitising the system. It must also be accompanied with changes to the administration of tax and simpler rules and clearer guidance.
- **HMRC could look to partner with employers and third parties to offer improved education and guidance for taxpayers detailing the benefits of a digital account.** This could explain benefits like the ability to receive automated repayments quickly.
- **HMRC should also consider how improving the professional standards of accountants and tax advisers could benefit ITSA returns.** A compulsory requirement for all paid-for accountants and tax advisers to reduce the occurrence of unnecessary SA returns as well as fraud and error.

If you have any queries, require any further information or would like to discuss any of this consultation response in more detail, please contact Jack Withrington, Head of Public Affairs & Public Policy at AAT: jack.withrington@aat.org.uk.

Response to consultation

AAT has chosen to write a general overview of the policy proposals to explain the overall perspective of AAT and its members in this policy area.

'Digital by default'

AAT acknowledges that the principle of moving towards a digital by default approach as part of a commitment to a fully digital tax system, to deliver more efficient services for taxpayers, is sound. The provision of easy to access digital services, such as the proposed delivery of digital forms, will assist in achieving the desired outcome. However, the customer-facing element needs to be supported by HMRC having end-to-end digital processes.

The core risk is not the proposals themselves, but that HMRC continues on its journey of digitisation when the current digital services are not yet in an acceptable position. AAT members have regularly voiced their frustrations in dealing with a mixture of digital and paper communications and the declining customer service levels provided by HMRC.

AAT's concern is that these proposals, if delivered in a similar way, will only further complicate matters and add more unnecessary stress to accountants and businesses. Mindful of the concerns shared by AAT members about how fit for purpose current HMRC systems are, it is essential that this is properly resourced. We would recommend that HMRC focus on getting the current system working acceptably first, before moving onto more 'digital by default' communications.

Customer services and support

In terms of support, there is an urgent need to better resource telephone helplines which has become a serious hindrance for AAT members and caused them significant frustration. If HMRC are to increasingly take a 'digital by default' approach, that will still need to be supported with effective and responsive customer service otherwise the administrative benefits of digitisation will be lost.

Similarly with regards to guidance, whilst HMRC can rely upon AAT and the other professional bodies across the sector to assist in promoting core messages and utilising our members to help drive awareness of and engagement with new digital services, it is essential that HMRC invests sufficient resources into the development of suitably clear and concise advice and guidance.

Those who are digitally excluded (i.e. have no access to the internet) will still clearly require paper forms for some notifications but telephone services could also be considered for some other forms. This would be particularly important for those taxpayers who are neurodiverse who may struggle to read larger volumes of documentation and would be better served by calling a helpline to advise them on what to do. However, the current state of HMRC's telephone helplines and overall customer service is not currently at an acceptable level for this to be possible.

Tax simplification

Simplification and modernisation of the tax system are principles that AAT supports but they are not one and the same. It appears to be increasingly the case that tax simplification has focused more on digitising the system, rather than simplifying the complexity of the tax rules. Digitisation will not help make tax simpler or fairer if it is not also accompanied with changes to the administration of tax and simpler rules and clearer guidance.

Encouraging greater use of digital services

Aside from developing a comprehensive communications campaign to drive up awareness and engagement, HMRC could look to partner with employers and third parties to offer improved education and guidance for taxpayers detailing the benefits of a digital account, including the ability to receive automated repayments quickly. For example, if HMRC is to take forward ideas mentioned in the consultation about authorising repayments via a banking app, banks could offer guidance to their customers on this benefit and contain information on how to open a digital tax account.

In addition to any data protection and privacy regulations, any integration of banking services would require providing taxpayers with an option to withdraw their consent at any time for their bank to continue sharing information with HMRC. This could work in a similar way to how Open Banking currently operates.

Income Tax Self Assessment (ITSA)

If digital begins at registration, then it would be reasonable for a digital by default approach to follow thereafter. AAT's main concerns are whether HMRC's digital service is performing well enough to fully support a digital by default approach and how the digitally excluded would be treated as there will still be new entrants who are unable to access the internet who must not be disadvantaged at the initial registration phase. The consultation does note both of these concerns but omits any detail on how it will ensure they are addressed before implementing this proposal. AAT would therefore welcome a more comprehensive plan from HMRC on how both of these issues will be dealt with.

Any change must be notified well in advance to allow taxpayers and agents to prepare for the change. At minimum a full financial year should be given so that these stakeholders are not having to rush through registrations while also dealing with upcoming tax returns.

ITSA criteria

From greatest impact to least, AAT would rank the issues listed in the consultation as:

1. HMRC's IT systems
2. Guidance
3. Thresholds
4. Legislation

Ultimately, if the IT and guidance from HMRC are not effective, then no amount of changes elsewhere will address the main issues with ITSA criteria that the consultation seeks to deal with. Similarly, AAT would support exploring the opportunities reform set out in the consultation, listed in order of preference:

1. IT Systems (SCA)
2. Interactive guidance and transparency
3. Mirror thresholds to VAT
4. Legislation

Raising professional standards in ITSA returns

HMRC should also consider how improving the professional standards of accountants and tax advisers could benefit ITSA returns. AAT has long called for HMRC to require compulsory membership of a professional body for any paid-for accountancy or tax advisory services. This would ensure any agent would be appropriately qualified and has a professional requirement to keep their knowledge on tax rules and

criteria up-to-date. This would reduce the occurrence of unnecessary SA returns as well as fraud and error. More information on this opportunity can be found here: <https://www.aatcomment.org.uk/accountable/>.

Interactive guidance and more transparency about how HMRC administers the tax system would offer a much greater intuitive understanding for taxpayers on when they need to file an SA return. The proposal to mirror thresholds to models like VAT would be another positive step to simplifying tax administration and improve consistency. We would strongly urge that as much effort as possible is put into getting the Single Customer Account (SCA) delivered which would significantly help simplification, as detailed in the consultation.