



Response from ICAS

Assessment of HMRC performance against the Charter Standards – April 2020 to March 2021

26 April 2021

About ICAS

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 22,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 10,000 of our members are based in Scotland and 10,000 in England. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.

Charter Standard	Assessment detail
Overall assessment	This has been a challenging year for HMRC, agents and many taxpayers. There has been some very positive engagement between HMRC and the professional bodies, particularly in the discussions on the introduction and operation of CJRS and SEISS. We hope this can be built upon in future. We would also like to recognise the enormous efforts made by HMRC to get the COVID support schemes up and running in a tight timeframe – and in getting payments to businesses and individuals quickly. We have had positive feedback on HMRC's work on CJRS and SEISS, including help provided to businesses with the initial implementation of CJRS. HMRC had to move staff to work on the Covid support schemes (taking them away from other work) and like other organisations has had difficulties with staff absences etc. The result for taxpayers has been that various customer service targets linked to dealing with post, answering calls, issuing UTRs, processing returns/VAT registrations etc have been missed. Agents are also experiencing severe ongoing problems contacting HMRC due to problems with the Agent Dedicated Line (ADL). It would be helpful for HMRC to be open and transparent about backlogs, their recovery plans and when something like normal service might be resumed. In the circumstances, it is disappointing that in spite of requests from all the main professional bodies for HMRC to recognise the pressure on accountants and tax agents and automatically lift late filing penalties for SA returns, HMRC refused to do this until very close to the filing deadline, ie effectively too late to be helpful for many agents. There were similar issues with corporation tax returns where many agents experienced difficulties due to the Companies House extension to filing deadlines; there was no extension for tax and HMRC made its announcement about 'reasonable excuse' very close to the deadline for many companies – an earlier announcement would have eased some of the pressure. The webchat process for deferral did not always work so some companies still received a penalty and then had to appeal, increasing rather than reducing administrative time and cost for all parties – HMRC, agent and taxpayer. Overall, we would like to see: • more recognition of the importance of the role of agents in HMRC systems and practice; • more transparency about problems with HMRC services (and plans to get them back on track); • urgent action to ensure that all taxpayers and agents can access the right HMRC expertise; and • action to address some of the other problems highlighted last year (particularly agent access to HMRC systems and agent authorisation) which remain significant issues. Widespread reports from our members suggest that HMRC does not have sufficient resources to deal with all the responsibilities placed upon it, even in 'normal' times – and that any exceptional events, such as Brexit or the pandemic, quickly lead to significant problems with service levels. There also seems to be a determination to push ahead with major, complex projects, like MTD, whilst failing to address basic problems which cause issues for taxpayers and agents on a day-to-day level.

Getting things right	Accuracy, consistency and completeness • We note, by way of background, that inevitably we hear far more from our members about cases where things have gone wrong, than cases where everything is fine – but we have identified some common themes in feedback, as follows. • Concerns have been raised with us about the poor quality and lack of consistency in HMRC responses on VAT issues. Agents and advisers provide detailed technical responses to HMRC questions but receive short responses which do not address many of the technical points raised or provide substantive explanation/technical justification for the approach HMRC is adopting. There is also inconsistency – with different HMRC officers giving different responses in virtually identical cases. Information included by agents in letters is sometimes ignored (and re-requested) and guidance in HMRC’s own manuals is overlooked. • Similarly, we have feedback on poor quality responses on direct tax issues provided by HMRC helplines and in correspondence. There is a lack of consistency between call handlers – with agents sometimes calling back in order to speak to someone else able to deal with point. Issues which in the past would have been resolved by one exchange of letters now take at least two – the first HMRC response often does not cover all the matters raised. We continue to receive reports (similar to those mentioned last year in our Powers response) that HMRC officers frequently confuse HMRC guidance with the law and are often unable to use the legislation or respond to technical arguments citing the legislation. Clear targeted communications • SA Notices to file issued to many taxpayers in 2020 caused worry, annoyance and confusion to some recipients. The notices were intended to encourage taxpayers to file online and/or to sign up to paperless communications. There were numerous problems with the approach – the main one being that for cost reasons a generic approach was adopted with the same notices being sent to taxpayers in different circumstances, causing confusion. Targeting was so poor that for some recipients (trustees already filing online) all the messages were irrelevant. • The notices also stated that paper statements would not be issued but due to the pandemic, the policy changed, and paper statements were issued. No correction was sent to taxpayers who might have felt forced to agree to paperless and some taxpayers without digital access were left worried that they would not receive a paper statement. • We understand HMRC’s desire to shift taxpayers away from paper, but communications need to be properly considered, clear and targeted. • A clear roadmap setting out plans (with a timeline) for the development and digitalisation of personal income tax administration is needed. YouTube videos on compliance checks • The HMRC initiative to produce a series of YouTube videos to help taxpayers understand the compliance check process has been a positive development. • The videos give clear, concise information about various aspects of the process and signpost taxpayers to additional detail.
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	HMRC was proactive in seeking input from stakeholders, with some useful virtual collaborative meetings to discuss the story boards.
Making things easy	Compliance check letters and guidance - In addition to the YouTube videos mentioned above, there have been some related positive projects to improve compliance check letters and to provide better guidance on the process for taxpayers. - It is too early for us to have received significant feedback on the letters in practice, but HMRC's approach to obtaining input to the development process was effective and we believe achieved an improved product, which should assist taxpayers. - The new help and support page explaining the compliance check process and the help available to taxpayers and agents is also more user-friendly and should make the process easier to understand. Digital handshakes - The digital handshakes used to authorise agents for TRS and 30-day CGT reporting are cumbersome and not accessible or easy to use. Firms were forced to prepare their own detailed guidance for staff on how to get clients through the process – but it remains time consuming and problematic. - In spite of the issues being raised repeatedly with HMRC no improvements/changes have been made. CGT Reporting Service - The CGT reporting service also continues to suffer from other issues which cause confusion and difficulties for users and agents – for example, lack of clarity on payment mechanisms, problems for trustees and executors, lack of recognition of Powers of Attorney, procedures for dealing with overpayments and problems for taxpayers based overseas. Debt Management – employers' payments and liabilities - We reported last year that in debt management, the payments and liabilities screen is often not up to date on the HMRC system, which means HMRC and the employer have different information about what is paid and what is due. We have been told that this issue has not been resolved and there is usually approximately a 2-week difference between what has been paid and what HMRC thinks needs to be paid. Additionally, the Apprenticeship Levy does not update, so the figures never agree to the reports for some larger entities.
Being responsive	COVID Support Schemes - We have had positive feedback on HMRC's work on CJRS and SEISS, including help provided to businesses with the initial implementation of CJRS. Access to the right HMRC expertise - We continue to receive reports that it is very difficult for most agents and taxpayers (ie those without Customer Compliance Managers) to access the right HMRC expertise to deal with

technical issues (or practical issues with HMRC systems).
Escalation processes from helplines are not working properly.

- Whilst pressures arising from the pandemic have undoubtedly not helped, there appear to be systemic issues which predate the pandemic and need to be addressed as a priority.
- Larger SMEs and larger agent firms need an effective route (preferably a named contact, similar to a CCM) to facilitate access to the right levels of expertise and knowledge within HMRC in a reasonable timeframe – it is disappointing that nothing has been done to address this.
- For other agents and taxpayers in general, escalation processes must be made to work effectively so that everyone has timely access to the HMRC support and expertise they need.

Customer Compliance Managers

- Feedback from those with CCMs continues to be more favourable than from others, but we are now receiving numerous reports about a deterioration in service for companies with CCMs.
- Companies are keen to engage with CCMs to discuss issues on a real time basis but often find that this is not possible due to HMRC resource constraints. In some cases companies are due to have a BRR+ review but are told that HMRC does not have the resource to carry it out – this is particularly frustrating where a company has been working towards a low risk rating.
- HMRC responses to correspondence are also increasingly delayed and CCMs sometimes struggle to find the right person to deal with issues – although in both cases the position is still perceived to be better than for those without CCMs.

Delays and transparency

- We recognise that the pandemic has presented huge challenges for HMRC (as it has for agents) so we appreciate that some delays are inevitable, and the comments below should be read in that context.
- Agents are experiencing long delays getting through to HMRC on the ADL to resolve issues which cannot be resolved by other means. We are pleased that HMRC has held discussions with stakeholders and recently circulated an update about one problem (dealing with multiple issues).
- Since last September there have been long delays to various routine but essential processes, including processing 64-8s, issue of UTRs and dealing with VAT registrations – we appreciate that many of these delays relate to the pandemic. However, it would be helpful for HMRC to be open and transparent about backlogs, ongoing issues and plans for recovery, so that taxpayers and agents know what to expect and agents can manage client expectations.
- Given that HMRC are clearly experiencing difficulties as a result of the pandemic and that taxpayers and agents have to accept lengthy delays, it is disappointing that similar leeway is not given by HMRC. We continue to receive reports of cases where HMRC fail to reply to correspondence promptly (6 months or more in some cases) but in their eventual reply require a response from the agent or taxpayer in 30 days.
- HMRC delays cause particular problems for taxpayers where a repayment is due. This applies to SA repayments, but we have also received numerous reports about lengthy delays in processing CT repayments.

Treating you fairly	VAT – policy team initiatives • In our submission to the Powers review last year we raised difficulties encountered by members in cases where VAT officers and CCMs are acting as intermediaries for VAT policy team initiatives. This continues to be a significant issue which wastes agents' and taxpayers' time. The policy team appears to work on the assumption that the taxpayer is doing something wrong, but they will not engage directly with the taxpayer/their adviser. Everything is routed via the CCM or VAT officer, which is inefficient, time consuming and makes it very difficult to get any meaningful engagement on the facts or arguments. • We have also had feedback that where responses to questions do not point to the outcome expected by the policy team, the taxpayer is simply asked the same questions in a slightly different way, in an attempt to produce the 'correct' response. VAT PESMs • Experience of our members also suggests that HMRC continues to assume that there must be an avoidance motive behind requests for special partial exemption methods, or amendments to existing PESMs, when this is not the case. The process for agreeing these is therefore lengthy – even where the change is relatively simple and straightforward. For example, a switch to using head count because the previous metric was no longer available, which took over a year to agree. In another example, a new business had been acquired and the taxpayer wanted a simple adjustment to cover this but HMRC wanted to revisit the entire PESM.
Being aware of your personal situation	COVID support schemes • HMRC has put considerable effort into the operation of the support schemes, supporting many taxpayers in difficult circumstances – and has worked constructively with stakeholders on CJRS, SEISS and the VAT deferral scheme. • We have had positive feedback on HMRC's work on both CJRS and SEISS, including help provided to businesses with the initial implementation of CJRS. HMRC's work to get the money to taxpayers, in a tight timeframe has been appreciated.
Recognising that someone can represent you	We appreciate that HMRC policy statements recognise the value that agents bring to the tax system; however, this does not always translate into practice. There remains a significant gap between this Charter standard and HMRC's actual performance. There has been no real improvement since last year; our members particularly raise the following issues: • Agents still cannot see and do what their clients can see and do, in spite of HMRC's commitment to achieving this. • Agents were completely excluded from the SEISS system on the grounds that it would have taken too long to build a system from scratch with agent access. However, if the default position for HMRC systems involved agent access from the start this would cease to be an issue as the basic architecture would exist. Agents were also excluded from the enhanced TTP process put in place this year. • Unfortunately, HMRC's position still seems to be to build a system with taxpayer access – and only consider agent access as an afterthought. Agents then do not get access at all, or their

	access is less than optimal. The basic architecture for all systems should incorporate agent access. • Agents still cannot access information in clients' Personal Tax Accounts – we appreciate that this arises because data in PTAs cannot currently be segregated, so agents cannot be authorised only to see data relevant to the services they are providing. However, it is vital that this is addressed when PTAs (and BTAs) are replaced by the single digital account. • The digital handshake process for authorising an agent for TRS and the 30-day CGT reporting system continues to cause significant problems for agents and clients. It is disappointing that HMRC has not taken any steps to improve the process. • We also have concerns that no alternative option was made available for digitally excluded trustees who were also unable to use the telephone support option to authorise an agent for TRS (face to face help was obviously not available during the pandemic). We understand that HMRC is working on providing an alternative.
Keeping your data secure	• We are concerned that HMRC is increasingly placing some taxpayers in a position where they feel forced to share confidential data with friends or family in order to gain access to HMRC services, for example, in order to authorise an agent. Similarly, HMRC's approach to the ETMP migration and direct debits is likely to leave some digitally excluded taxpayers feeling that they have no choice but to adopt a potentially insecure workaround in order to be able to continue to pay by direct debit. • We are aware of the recent security breach concerning penalty notices – but we have not received feedback to suggest other significant problems with HMRC's treatment of data.
Mutual Respect	