



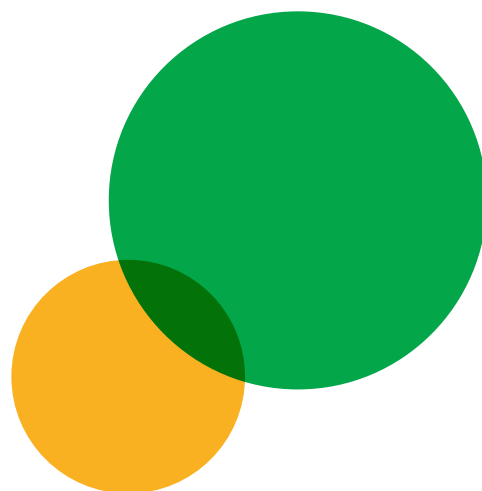
Tomorrow's Tax Administration

The ICAS Standpoint

June 2021

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Introduction

Good tax administration is essential, even though it may not feature at the top of many political wish lists. It has a role to play in fulfilling the UK Government's ambition for an open, business-friendly economy post-Brexit. If society as a whole does not trust the tax system because it does not function properly, voluntary compliance is undermined and the consequences for government revenues are serious. The Government needs tax administration to work effectively, to deliver the money it needs to pay for COVID recovery and to fund ambitious initiatives around tackling climate change and levelling-up.

Many ICAS Members work in business, in finance and tax functions, and in practice as agents – we make a complex tax system work. Based on our experience a more effective and taxpayer-friendly tax administration should be an urgent priority for the Government.

HMRC needs adequate resources to perform its functions – which have expanded beyond 'pure' tax in recent years. Due to the data it holds and some of its tax functions (for example, PAYE), HMRC now has a role in a range of other areas, including student loans, minimum wage enforcement, benefits, money laundering regulation and recently COVID support. All of this has had an adverse impact on its core role of administering the tax system, which adversely affects everyone who has to engage with that system.

Our Members' experience suggests that HMRC resources are insufficient to cover all its responsibilities adequately even in 'normal' times. The base level of resources needs to be higher so that events, such as Brexit or the pandemic, do not rapidly lead to significant problems with service levels. The NAO's 2020 report 'Tackling the tax gap' found that HMRC's work to tackle non-compliance offers good value for money – so compliance resources should be maintained. Funding for the digital systems required to modernise the tax system in a way that works for taxpayers has been inadequate and needs to be increased.

In July 2020 the Government published its 10 year strategy for creating a tax system 'fit for the challenges and opportunities of the 21st century' ([Building a trusted, modern UK tax administration](#)). ICAS is broadly supportive of the three key strands of work which make up the strategy: the extension of Making Tax Digital, exploring tax payment mechanisms and reform of the tax administration

framework. It would be difficult to disagree with many aspects of the Government's vision, but timely delivery will be critical; this will require the provision of adequate HMRC resources and the funding to build an integrated digital tax infrastructure.

The 10 year strategy is about the future but there is an immediate need to address the poor service levels, patchy digital systems and problems which cause issues for taxpayers and agents on a day-to-day level. Pushing ahead with major, complex projects, like Making Tax Digital, whilst failing to ensure that basic tax administration works properly for everyone who has to engage with it, is unacceptable and will not deliver what the Government or taxpayers need. Building tomorrow's tax administration has to start from today.

To fulfil the vision set out in the 10-year strategy and deliver an efficient tax administration fit for tomorrow – for the Government, HMRC and taxpayers – change is required. ICAS has identified its top 10 requirements:

- Powers and safeguards – striking the right balance
- Facilitating the work of agents in supporting their clients
- Supporting high standards for all agents
- Swift access to the right HMRC support and expertise
- Meeting the standards set out in the new HMRC Charter
- Making Tax Digital – making it work for businesses
- Personal income tax – roadmap required
- Support and access for the digitally excluded and digitally challenged
- A user-friendly legislative framework
- Tax simplification

Powers and safeguards – striking the right balance

HMRC should have appropriate powers to administer the UK tax system efficiently and to enforce compliance but taxpayers also need appropriate safeguards. The right balance needs to be struck between taxpayers and the state.

HMRC should have appropriate powers to enable it to administer the UK tax system efficiently and to enforce compliance; this means a degree of access to taxpayer information and the power to impose penalties. However, there should be a balance between these HMRC powers and taxpayers' rights to certainty and privacy. Taxpayers need to have confidence that HMRC is exercising its powers proportionately and that appropriate safeguards are in place. A degree of external scrutiny is required, so the right of appeal to an independent tribunal against HMRC decisions is important, as is oversight by the tribunal of HMRC's exercise of some of its powers.

In recent years there have been some worrying examples of the erosion of safeguards and the undermining of a taxpayer's right to certainty – including the extension of offshore assessing time limits and the removal of the need for tribunal approval for the Financial Information Notices. There is also a tendency to give HMRC more powers and introduce new penalties, without any assessment of the success or failure of previous measures. HMRC needs to ensure that it uses the powers it has effectively, rather than constantly calling for more powers. Part of the problem appears to be that HMRC does not have adequate resources.

The purpose of penalties and HMRC powers should be to encourage tax compliance and deter non-compliance. If affected taxpayers are unaware of new penalties or HMRC powers, which will affect them, this purpose is undermined. HMRC communications need to be better and more targeted. The numerous non-resident CGT penalty cases illustrate the problems caused by inadequate HMRC communications, for taxpayers who wanted to comply. HMRC has access to a great deal of information about taxpayers which should allow it to target its communications more effectively. We welcome recent HMRC initiatives to communicate directly with those who appear (from data held by HMRC) to have signed up to disguised remuneration schemes.

ICAS supported the recent evaluation of HMRC's implementation of powers, obligations and safeguards introduced since 2012. Some of the commitments made in the final report should be helpful. However, the review fell short, in that it was prevented from considering the operation of some of the pre-2012 powers which cause difficulties for our Members and taxpayers in general. It was also no substitute for an independent review of the overall balance of powers and safeguards.

We call for:

- An independent review of the overall balance between HMRC powers and taxpayer safeguards.
- A review of problematic areas of HMRC's pre-2012 powers, including HMRC's approach to the behaviours used in assessing penalties, suspended penalties and whether HMRC should be able to exercise more discretion around charging penalties.
- New HMRC powers and penalties to be assessed for effectiveness on an ongoing basis.
- No new HMRC powers to be introduced until previous measures have had time to settle down and until it is demonstrated that HMRC is using its existing powers to full effect.
- Better and more targeted HMRC communications to ensure affected taxpayers are aware of new powers and penalties.

Facilitating the work of agents in supporting their clients

Agents play a crucial role in enabling individuals and businesses to navigate a complex tax system and to meet their tax obligations. The UK tax system is heavily dependent on voluntary compliance and could not function effectively without agents supporting their clients.

The UK tax system would not function effectively without agents. The majority of business taxpayers have agents and the relationship between HMRC and tax agents is therefore of fundamental importance to the tax system and to the wider economy. A good working relationship between HMRC and agents facilitates taxpayer compliance and minimises costs for taxpayers – but is being undermined by poor agent access to HMRC systems, operational problems with those systems and poor HMRC service levels. The role of agents in making the tax system work should be appreciated and properly recognised in HMRC systems and processes.

ICAS strongly supported the inclusion of a specific commitment in the new Charter (similar to that in the old version) that HMRC will recognise a taxpayer's right to appoint an agent and that it will deal with agents appropriately authorised to act for taxpayers. However, the [annual Charter report](#) published in November 2020 noted that stakeholder feedback indicated that, for this standard, there remains 'a big perceived gap between the Charter commitment and HMRC performance.'

HMRC's ongoing failure to ensure that agents can see and do what taxpayers can see and do is adversely affecting the ability of agents to act effectively on behalf of their clients – and undermines the vital role of agents in supporting compliance. Agents have not been given access to new systems at the same time as taxpayers, vital functionality for agents is frequently missing and, in the case of the Self-Employment Income Support Scheme, agents were excluded altogether.

ICAS is also concerned that HMRC seems increasingly to be trying to exclude agents in other ways, for example, suspending the Agent Dedicated Line for a significant period (causing difficulties for agents as this is often the only mechanism for getting corrections/changes made) and not sending agents copies of some communications to their clients (or giving them access to these online). HMRC messaging frequently suggests that taxpayers do not need agents and that the system is simple enough for taxpayers to do it themselves – something which is not borne out by the practical experiences of our Members.

There has been successful cooperation between HMRC and the professional bodies around the COVID-19 support schemes. This cooperative approach should be carried across to work on developing HMRC's agent strategy.

We call for:

- Agent access to be built in to all HMRC forms and systems from the start, with agents having access at the same time as taxpayers.
- Agent features not to be added as an afterthought (or not added at all).
- The design of systems to ensure that agents can see and do what their clients can see and do: GDPR should not be used as an excuse for restricting agent access when the real problem is that HMRC's systems are not designed to permit GDPR-compliant access.
- Cooperation with the professional bodies on developing HMRC's agent strategy.
- Adequate funding from the Government to ensure that systems work properly for agents and taxpayers.

Supporting high standards for all agents

In the UK there is currently no restriction on the provision of tax services – anyone can offer them. Many taxpayers are unaware that some sections of the market are not regulated or that there is no requirement for an adviser to have specific expertise to provide tax advice.

As a result of widespread taxpayer misunderstanding about the regulation (or lack of it) of the provision of tax services, it can be difficult for some taxpayers to appoint a suitable tax agent or adviser. There is little consumer protection in place if a taxpayer inadvertently chooses an adviser who does not belong to one of the main professional bodies.

The main professional bodies have standards with which members must comply (including having adequate professional indemnity insurance, compliance with Professional Conduct in Relation to Taxation and undertaking continuous professional development). Clients can complain to the relevant body if regulated agents fall short. Unqualified agents should comply with HMRC's 'standard for agents' but this does not fully replicate professional body standards.

Following the 2020 call for evidence on Raising Standards in the Tax Advice Market, the Government announced some actions which include:

- HMRC raising awareness of HMRC's standard for agents and carrying out an internal review of the powers available to HMRC to enforce the standard.
- Consulting on introducing a requirement for all tax advisers to hold professional indemnity insurance to allow market forces to drive up standards. This consultation was published in March 2021.
- Working collaboratively with the professional bodies to understand the role they play in supervising and supporting their members and raising standards in the profession.

The intention behind the actions is to move towards the desired outcomes set out in the call for evidence. However, this will take time. Any requirement for professional indemnity insurance will require a definition of tax advice and activities within scope which is likely to be difficult to establish.

In the meantime we believe that HMRC should be taking action to enforce its Standard for Agents. It should also be working closely with the professional bodies on efforts to improve standards of tax advice, and to raise taxpayer awareness of the difference between agents who belong to professional bodies and those who are unregulated.

We call for:

- HMRC to enforce its Standards for Agents by imposing sanctions on those who fail to comply; in the worst cases HMRC should fully utilise its existing powers to exclude agents from HMRC systems.
- HMRC to make more use of its ability to report agents to their professional body and to work closely with professional bodies on efforts to improve the overall standards of tax advice and raise taxpayer awareness about factors to consider when choosing an agent.
- A long term objective to ensure that all agents belong to one of the main professional bodies which require members to comply with Professional Conduct in Relation to Taxation and other professional standards.

Swift access to the right HMRC support and expertise

All taxpayers and agents need timely access to the right HMRC support and expertise. HMRC needs adequate, properly trained resources and effective procedures to ensure that all taxpayers get the responses and support they need.

All taxpayers and agents need access to HMRC support and (where appropriate) to relevant experts within HMRC. Members' experience and official statistics reveal issues with access to basic HMRC support via helplines and other routes, including unacceptable waiting times, failed calls, suspension of the Agent Dedicated Line, lack of timely adequate responses and problems (including lack of consistency) with some responses provided. Taxpayers are increasingly pushed to online channels – but when these go wrong the route to resolution is often to call an overloaded helpline. If taxpayers give up trying to engage with HMRC out of frustration, tax compliance is undermined.

ICAS emphasised in its 2020 [consultation response](#) that the new HMRC Charter should retain the commitment from the old Charter that taxpayers should be 'dealt with by people who have the right level of expertise' – it had been dropped from the draft version. We are pleased that the commitment was reinstated. However, HMRC now needs to deliver on this Charter commitment for all taxpayers and their agents.

Feedback from our Members indicates that unless a client is a large corporate (or wealthy individual) with an allocated HMRC customer compliance manager (CCM) it has become increasingly difficult in recent years to get timely access to the right expertise in HMRC. The CCM and the related Business Risk Review process are intended to drive compliance by large corporate taxpayers – but many smaller companies would like to have a CCM because it ensures a better level of service from HMRC and better access to HMRC expertise. To maintain trust in the tax system, all taxpayers should quickly and easily be able to access the right HMRC support to meet their needs.

Lack of access to the right HMRC support and expertise for many taxpayers and agents causes delays, increases costs, and may mean that they cannot resolve a tax issue or end up being non-compliant and incurring penalties when this could have been avoided. This undermines trust in HMRC and in the tax system. Larger agent firms and some larger SMEs should be given a named HMRC point of contact to facilitate access to the right HMRC expertise in a reasonable timeframe. For other taxpayers and agents the escalation routes from helplines and the Agent Account Manager service need to be considerably improved.

The CCM service also needs to be properly maintained. Whilst feedback from those with CCMs continues to be more favourable than from others, there has been a deterioration in service. Collaborative working with CCMs and the ability to discuss issues on a real time basis is important – the majority of large companies appreciate greater certainty in return for transparency – but companies often find that this is not possible due to HMRC resource constraints.

We call for:

- Properly resourced HMRC helplines, webchat and online forums; staff must be adequately trained and able to deal quickly, efficiently and consistently with routine questions and issues.
- Effective escalation routes for more complex issues with a time limit for a substantive HMRC response or proper engagement of the right HMRC officers with the taxpayer or agent.
- A designated HMRC contact for all larger agent firms and larger SMEs to ensure that they can access the right HMRC expertise on a timely basis.
- An enhanced and improved Agent Account Manager service for smaller agents.
- Maintenance of a good service from CCMs.

Meeting the standards set out in the new HMRC Charter

In order to improve and modernise tax administration it is essential that all the standards in the new HMRC Charter are met and that HMRC provides adequate levels of service to all taxpayers. HMRC should be held to account for its performance against the standards.

The new HMRC Charter, published in November 2020 has an important role to play in developing and maintaining a tax administration which is fit for purpose. If HMRC consistently met the standards in the Charter, it has the potential to improve experience of dealing with HMRC and to enhance confidence in the tax system. The old Charter was not widely publicised within or outside HMRC – and proved to be ineffective in holding HMRC to account for its performance. This needs to change.

Following a constructive consultation process, the new Charter includes commitments on core aspects of HMRC's service, which are vital for taxpayers – 'Making things easy', 'Getting things right' and 'Being responsive'. Commitments from the old Charter, on access to the right HMRC expertise and minimising taxpayer costs, have been retained and the taxpayer's right to use an agent is also explicitly recognised.

The new Charter will only be effective if HMRC ensures that its staff are aware of the standards and take them seriously when dealing with taxpayers. HMRC is in the process of implementing ambitious plans for embedding the standards across all its employees, and ensuring they are reflected in dealings with taxpayers and agents. Communicating the standards to taxpayers is also essential – alongside making clear that taxpayers can complain (and setting out how to do so) when the standards are not met.

HMRC is required to make an annual report reviewing the extent to which it has demonstrated the standards of behaviour and values included in the Charter. This should play a key role in holding HMRC to account for its performance. The report has historically relied heavily on feedback from annual taxpayer surveys but would benefit from the inclusion of a more detailed measurement of HMRC's performance: ICAS provided some suggestions for additional data and analysis which could be published to support this in [our response](#) to a 2020 consultation 'Powers and Safeguards: views on Data and Transparency'.

For the first time the annual report for 2019-20 (based on the old Charter) included direct feedback from non-HMRC contributors – the Adjudicator and the new Charter Stakeholder Group (representing the tax community). ICAS supports the inclusion of this additional feedback in future reports because it provides a useful perspective on areas where HMRC is doing well and those where improvement is needed.

There should be some direct parliamentary oversight of how HMRC is performing. Either the Treasury Committee, or possibly the Public Accounts Committee, should review the annual Charter report and take evidence on HMRC's performance in the previous year – producing recommendations for changes where necessary.

We call for:

- Additional data and analysis to be published to allow more detailed measurement of HMRC's performance against the Charter standards.
- Better signposting of the Charter to taxpayers, and questions in taxpayer surveys to be linked to the Charter standards with an analysis of responses included in the annual Charter Report.
- External contributions to the Annual Report to be retained and HMRC should report regularly to the Charter Stakeholder Group on its progress in implementing the Charter standards.
- Parliamentary oversight of HMRC's performance against the Charter standards.

Making Tax Digital – making it work for businesses

ICAS broadly supports the Making Tax Digital initiative. However, some aspects of implementation to date have been problematic, resulting in significant costs for many to enable them to meet tax obligations – but not necessarily any commensurate benefits for their businesses.

Mandating ever increasing digitalisation will never achieve the greatest possible ease of use or transparency unless underlying problems are addressed. At present tax software design and adoption is being driven by the need to comply with complex tax legislation and tight timelines for Making Tax Digital (MTD) – usefulness to businesses may be pushed into second place. ICAS has set out its [MTD Strategy](#).

Part of the rationale behind the MTD programme is to reduce the errors made by smaller businesses in keeping records and in calculating tax. It has become clear with the implementation of MTD for VAT that some software encourages or allows businesses to adopt an incorrect approach – underlying complexity makes this almost inevitable and it is unlikely that unrepresented businesses will realise they have a problem until it is too late.

The move towards MTD for business income tax is already revealing significant problems arising from underlying complexity, for example basis periods, different assessment periods for property and business income and the interaction with the taxation of other types of income. Some simplification should ideally have been undertaken before implementation of MTD for ITSA. Unless and until steps are taken to simplify income tax, MTD is unlikely to generate all the expected benefits.

Rollout of the next stages of MTD should build on experience with the implementation of the first stage of MTD for VAT. A wide range of software suitable for all taxpayers should be available (and have been subject to robust testing) by the date when adoption becomes mandatory. This should include software suitable for users of assistive technology who do not necessarily want to be exempt from MTD; for MTD for VAT HMRC addressed the issue with software providers far too late.

The requirements for future stages of MTD must be set out in legislation and IT specifications far enough in advance for software developers and businesses to have time to implement them in their software. As set out in the [ICAS response](#) to the recent consultation on MTD for Corporation Tax, large and complex businesses generally require 18 months to 2 years to change their systems – the late finalisation of MTD for VAT legislation and IT specifications caused significant problems and should not be repeated. Multinational enterprises face particular challenges because other jurisdictions are also digitalising tax – requirements and systems vary, so the compliance burden is significant, and those affected need a detailed roadmap and adequate preparation time.

The pilot periods for the next phases of MTD should be open to everyone who wants to take part and should run for long enough to allow all participants to file returns and updates for a complete cycle (including year-end finalisation) before mandatory implementation.

We call for:

- Simplification of underlying tax rules to support MTD for business income tax and ensure it delivers benefits for businesses as well as HMRC.
- All businesses to be able to join MTD pilots with sufficient time to allow a complete cycle to be covered.
- A range of software for users of assistive technology to be available in time for pilots or at least prior to the implementation date.
- Finalisation of legislation at least two years before mandatory implementation of MTD for Corporation Tax.

Personal income tax – roadmap required

The modernisation of personal income tax administration was put on hold when HMRC resources were diverted to Brexit. The subsequent piecemeal approach has been unhelpful, and a roadmap for the administration and digitalisation of personal income tax needs to be set out urgently.

All stakeholders need to understand what will be changing in personal tax administration and when – and what they need to do to prepare.

The modernisation of personal income tax, including increased digitalisation, simple assessments and dynamic coding, was suspended when only partially complete. There appears to be no overall strategy for completing the work. Piecemeal changes, which are not properly communicated, are creating problems for taxpayers and agents. Some taxpayers become concerned when they receive unclear communications, and difficulties engaging with HMRC cause frustration.

The interaction between personal income tax and business income tax will become increasingly problematic with the rollout of MTD for business income tax. Those who have business income and other income (interest, dividends etc) will apparently have to deal with two systems – it is unclear how the interaction will work but it currently seems likely that affected individuals will have to file additional returns.

In 2016 HMRC ran a consultation on ‘Making Tax Digital: Transforming the tax system through the better use of information’ – the response document appeared in 2017. These proposals have now resurfaced in the strategy for building a modern tax administration which includes “smarter use of data on taxpayers and their activities – pre-population of tax returns, including with data from third-parties – would reduce the need for taxpayers and agents to submit additional information that HMRC either already holds or could verify itself”.

In a move which is presumably linked to the ten year strategy the Office of Tax Simplification (OTS) is carrying out a review which will consider the principles that should apply to the use of third-party data, sources of third-party data it could be helpful for HMRC to receive and how this data can best be integrated into HMRC’s work on developing online tax accounts. The OTS published a call for evidence in January 2021; ICAS met with the OTS to discuss the call for evidence and has submitted [evidence](#). The proposals raise numerous issues around security, data protection and practicality. Implementation will take years.

A roadmap for personal income tax administration, digitalisation and integration with business income tax (and CGT reporting) needs to be published, setting out the destination and a timetable for the steps along the way. Individual taxpayers need an understanding of what they will need to do, when they will need to do it and how they can prepare. Those who might have to provide third-party data will need time to put in place secure, GDPR compliant systems for reporting to HMRC. A piecemeal, disjointed approach will not work.

We call for:

- A clear roadmap setting out short, medium and long term plans for the development of personal income tax administration and digitalisation.
- An explanation of how the interaction between MTD for business income tax and personal income tax will work – and an assurance that additional burdens will not be imposed on taxpayers as a result of lack of integration.
- An indication of how security and GDPR issues will be dealt with if more third-party data is to be supplied directly to HMRC for pre-population of returns – and whether individuals will be able to refuse consent for third parties to share data directly with HMRC.
- Properly targeted and clear communications to taxpayers about moves towards digitalisation with clear explanations of the alternatives for those who cannot interact digitally.

Support and access for the digitally excluded and digitally challenged

Tax administration needs to work for all taxpayers – including those who are digitally excluded or digitally challenged, and for those who simply want to appoint an agent to act on their behalf.

HMRC has said that it intends to improve its services for those who need extra support and is extending extra support to cover additional areas of tax. This is welcome but as HMRC increasingly digitalises its systems and processes there needs to be a recognition that those who cannot interact digitally (or would prefer to appoint an agent to engage digitally with HMRC instead) may not need ‘extra support’ but simply the ability to deal with HMRC via non-digital routes, or to be able to appoint an agent to deal with HMRC on their behalf.

There have been significant problems with the new digital handshake process that has been put in place for the 30-day CGT reporting system and the new Trust Registration Service. This requires taxpayers to set up Government Gateway accounts in order to authorise an agent. Many taxpayers appointing an agent do not want to interact with HMRC at all, others cannot interact digitally (or would prefer to appoint an agent to interact digitally on their behalf).

We do not believe that requiring the creation of a Government Gateway account is acceptable or in line with the HMRC Charter. The existence of a telephone alternative to digital authorisation has been inadequately publicised and during the pandemic there has been no face to face option, or other alternative, available for digitally excluded taxpayers who also cannot use the telephone route (for example, due to mental health issues).

The main reasons given by HMRC for the cumbersome digital authorisation process are compliance with GDPR and security. However, HMRC also appears to assume that in order to deal with the digital handshake many will obtain informal assistance from friends and relatives; this inevitably means taxpayers giving their data to others, a lack of privacy and in some cases considerable security risks.

We call for:

- The paper 64-8 process for authorising agents to be available for the CGT reporting system and the new Trust Registration service until a properly publicised, effective mechanism for allowing the digitally excluded or digitally challenged to authorise an agent is in place.
- The digital handshake in its present form not to be extended to other systems. It needs a fundamental redesign.
- Proper consideration to be given to how taxpayers who want to deal with their own tax affairs but cannot use digital routes can be supported.
- Taxpayers not to be forced into insecure workarounds and loss of confidentiality in order to deal with HMRC systems.

A user-friendly legislative framework

Tax depends on statute but the UK legislation relating to tax assessment and collection is difficult to access and no longer fit for purpose. The Taxes Management Act urgently needs to be replaced with a new act which brings together in one place all the legislation relating to tax administration. Action is also needed to put in place processes to support the operation of devolved taxes.

Those unfamiliar with the UK tax system might assume that the Taxes Management Act 1970 would be the place to look for the rules about how tax is managed and administered. Unfortunately, the reality is that the relevant provisions are scattered across the Taxes Management Act, numerous Finance Acts, and a variety of regulations. It is sometimes difficult for tax professionals to find the answer to an administrative question – and impossible for most taxpayers to access the relevant legislation and apply it to their own circumstances.

The Tax Law Rewrite project rewrote most of the main tax statutes to improve the structure of the legislation, use modern language, and provide consistent definitions and clearer signposting, but the Taxes Management Act was excluded from the programme. The Tax Law Rewrite approach has not been extended to many of the additions and amendments to statute since the project ended. Tax administration legislation has also not kept up with technological developments so is no longer fit for purpose, even for the current level of digitalisation of the tax system. This has prompted tribunal cases – and recent legislation on automated processes aimed at patching perceived holes. As digitalisation increases, more inadequacies in the legislation will be exposed; it is essential that the underlying problems are addressed.

The use of secondary legislation should be curbed. It is not subject to the same level of scrutiny as primary legislation and increases the difficulties for users of finding the relevant provisions.

The UK Government and the devolved administrations need to work together to support the smooth operation of devolved taxes, particularly those which are partially devolved (where interaction with the UK tax regime is significant). An agreed timeframe for UK and devolved Budgets should be put in place; this may eventually require a more formal process, designed to enable maximum collaboration between governments. As a starting point a commitment to hold the UK Budget early in the autumn would assist the devolved administrations in preparing and presenting their own Budgets. It would also allow adequate time for proper scrutiny, which would support accountability in the devolved jurisdictions.

We call for:

- A new Taxes Management Act and all tax administration legislation in one place.
- The new Act to adopt the approach of the Tax Law Rewrite project, particularly the use of modern language and the inclusion of better signposting.
- Tax administration legislation which properly supports digital processes.
- Curbing the use of secondary legislation.
- Implementation of an agreed timeframe for UK and devolved Budgets.

Tax simplification

The underlying complexity of the UK tax system makes it very difficult to achieve an effective and trusted tax administration system. Digitalisation and Making Tax Digital will not achieve their full potential for either taxpayers or HMRC without significant tax simplification.

Simplification of the UK tax system would make it easier to implement all of the other requirements set out in this paper and would greatly improve the experience of dealing with tax administration for taxpayers, agents and HMRC. Complexity increases costs for taxpayers and for HMRC, it makes it more difficult for taxpayers to comply and diverts resources into dealing with corrections, appeals and disputes.

Complex underlying tax law is reflected in complex tax administration systems which do not lend themselves to ease of use and do not facilitate compliance. Digitalisation does not remove the need for simplification – effective software becomes more expensive, the more complex the underlying rules. Moreover, software does not always achieve the right result for an acceptable price, as illustrated by the Self Assessment exclusions and some Making Tax Digital software which allows or encourages taxpayers to adopt incorrect treatments.

Trust in the tax system is undermined because many individual taxpayers cannot understand basic tax obligations. Complexity also gives rise to uncertainty which deters business investment. Difficulties obtaining access to the right HMRC support and expertise, inconsistency in HMRC responses and the cost of correcting or challenging HMRC errors also undermine confidence in the fairness of the tax system. HMRC and taxpayer resources are diverted into disputes and litigation to resolve difficulties arising from the underlying complexity. Tax simplification could mitigate all of these problems and reduce costs for all parties, including HMRC.

It would be a helpful starting point if the Government set out its policy on tax simplification and how it could be achieved – including an indication of the resources which would be made available and the role the Office of Tax Simplification (OTS) might play.

It would also be useful to prevent, as far as possible, adding to the existing complexity. A new stage should be added to the process for enacting new tax legislation or amending existing rules – the measurement of the proposals against agreed simplification criteria, with a presumption that enactment will not proceed if the criteria are not met. The OTS could have a useful role in developing the criteria and in the measurement process. An immediate decrease in complexity could be achieved by repealing tax reliefs which no longer meet their objectives, and where retention cannot be justified on an analysis of the costs and benefits.

We call for:

- A comprehensive Government statement setting out its policy on tax simplification, the reasoning behind the policy, the level of importance it attaches to simplification, the methods it would use to implement that policy (including the role of the OTS) and the resources which would be made available.
- Agreed simplification criteria to be built into the process for introducing new primary tax legislation or amending existing legislation; to avoid adding to existing complexity, legislation would not be enacted/amended if the proposals did not meet the criteria.
- Regular reviews of tax reliefs to ensure they are still meeting their objectives and that analysis of the costs and benefits demonstrates there is value in retaining them – and the repeal of any reliefs where retention cannot be justified.

The ICAS role

ICAS (The Institute of Chartered Accountants of Scotland) is the oldest professional body of accountants. We represent over 22,000 Members who advise and lead businesses. Around half our Members are based in Scotland, the other half work in the rest of the UK or in almost 100 countries around the world.

ICAS has a public interest remit – a duty to act not only for its Members but for the wider public good. Our technical experts work in a positive and constructive manner to advise policy makers on legislation and to raise issues of importance to our Members, individual taxpayers and businesses.

Taxation is one such area of importance and ICAS has contributed, and will continue to contribute, to tax policy in Scotland, the UK and beyond.

From a public interest perspective, our role is to share insights from ICAS Members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

The Tax Board's objectives in putting forward 'Tomorrow's Tax Administration – the ICAS standpoint' are to:

- act in the public interest
- provide constructive input to the authorities, and
- represent ICAS Members' and students' interests.

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