Response from ICAS to the HMRC Consultation

‘HMRC Digital Strategy – legislative changes to enable Paperless Self Assessment ’

23 December 2013
HMRC Digital Strategy – legislative changes to enable Paperless Self Assessment

About ICAS

The Institute of Chartered Accountants of Scotland (ICAS) is the oldest professional body of accountants. We represent around 19,000 members who advise and lead businesses. Around half our members are based in Scotland, the other half work in the rest of the UK and in almost 100 countries around the world. Nearly two thirds of our members work in business, whilst a third work in accountancy practices. ICAS members play leading roles in around 80% of FTSE 100 companies. ICAS is also a public interest body.

General introductory comments

ICAS welcomes the opportunity to comment on the consultation ‘HMRC Digital Strategy – legislative changes to enable Paperless Self Assessment’, issued on 27 November 2013.

ICAS very much welcomes the move to digital, paperless self-assessment for those who wish to transact their tax affairs using this medium. We strongly support the work to make all aspects of self-assessment paperless, with the subsequent efficiencies this should bring to taxpayers, their agents and HMRC. Total electronic delivery of personal self-assessment is a logical next step.

There is a caveat, however, for those who cannot, or do not, wish to use digital facilities. For example, there are not always broadband facilities in parts of the countryside; people who have disabilities or poor sight may not find it possible to operate on-line; and as the population ages many senior citizens will suffer cognitive declines that simply leave them less able to see to their own affairs using new mediums. None of these taxpaying groups should be marginalised. Paperless self-assessment would be a step too far for many taxpayers, so the suggested ‘opt in’ seems appropriate.

Care should also be taken to ensure that ‘digital by default’ does not surreptitiously become mandatory online, which would disadvantage many vulnerable groups in society. We recommend that there should be an equivalent, parallel non-digital strategy for such taxpayers and their agents.

Specific questions

Question 1: HMRC intends to make available electronically the Self Assessment products listed at paragraph 9 to those who have opted in to Self Assessment Online. Views are sought on the suitability of those products being made available online.

We agree with the range of products that are being made available on line and agree that these are necessary to affect an end-to-end paperless SA process. We do have concerns however if penalties are brought in with only online notification from the outset. With new processes, such as online delivery, it may be that a failure is due in part to the delivery or IT mechanism and therefore in the first two years of implementation the taxpayer should also receive paper notification of any penalty.

Question 2: Many customers registered to use the Self Assessment Online service do not personally access the system, but allow their appointed agent to file on their behalf (see paragraph 22). HMRC welcomes suggestions on how customer consent can be best achieved in circumstances such as these.

Discussions elsewhere with the HMRC Agent project give the impression that the digital programme is focused on taxpayers, with agents being a secondary consideration. We question whether this is the appropriate starting point.

The core drivers for the existence of unpaid and paid agents are that taxpayers choose to appoint an agent due to complexity and difficulties with understanding the system (online or
otherwise), lack of time, fear of getting it wrong and, for many taxpayers, a demonstration of their willingness to be compliant taxpayers. The population who use agents choose not to deal with their own tax. They are customers of the agents – they do not choose to be customers of HMRC. This is an important principle and, given that HMRC benefits from agents dealing with tax compliance issues at the client’s expense, we believe that there needs to be more active consideration of agent access to paperless self-assessment.

HMRC needs to assess the impact on tax revenues if agents cease to be able to transact as now, before making a decision to leave agents in a secondary, or disconnected process.

As to consent, HMRC can write to taxpayers and their agents about opting in: agents can liaise with clients accordingly. As taxpayers generally want their agents to deal with all HMRC communications, a low level of taxpayer-customer opt ins might be expected.

**Question 3: Comments are sought on whether the draft legislation set out in Annex A works as intended and facilitates HMRC’s electronic interaction with its customers. In particular HMRC welcomes views on the definition of ‘secure mailbox’, the deemed delivery provisions and conditions and the provision and withdrawal of consent.**

Use of the proposed secure mailbox facility would be essential in maintaining adequate security.

Given the extremely high level of scam emails purporting to come from HMRC, more needs to be done by HMRC/Government to educate online users on the risks of opening malicious attachments. It should be made abundantly clear that HMRC will never send attachments to taxpayers via ordinary email. For example, at the moment, HMRC invite recipients of dubious HMRC emails to forward them to phishing@hmrc.gsi.gov.uk, but HMRC do not undertake to respond. Ideally this service should be taken a step further by providing taxpayers with an email verification process, so that any suspect email purporting to come from HMRC can be submitted for verification or rejection.

It is not clear why (para 15) the taxpayer is expected to provide a telephone number. Online and telephone are two separate communications channels, and para 15 should refer to “a valid email address or telephone number”. In practice the system would work if a taxpayer provides a valid email address (for email notifications) or phone number (for SMS messaging), but should also allow the taxpayer to provide both in order to receive duplicate notifications if they wish.

In policy terms, we question whether it should rest with the Board to specify in a Direction the manner in which consent may be provided or withdrawn. Given the importance of the operation of communication channels, these procedures should be in secondary legalisation.

**Question 4: HMRC welcomes comments on the assessment of the impacts of these proposals in the Tax Impact and Information Assessment on page 12 including but not limited to the equalities impacts, impacts on individuals and burden reductions.**

We note that the draft regulations are very brief and designed to facilitate the on-going move to online paperless self-assessment. Nevertheless, if these regulations warrant a public consultation amongst taxpayers, agents, and the professional bodies, then due respect should be given to the consultative process, which means that the consultation should not simply be for one month (including the Christmas holiday). Also, there should be time to give consideration to the consultation response, which is unlikely to be the case if the consultation period ends on 27 December 2013 and the regulations become effective on 1 January 2014.