

Progress report to the Office of Tax Simplification

The following table provides the OTS with a summary of progress made by HMRC against the five administrative simplification recommendations contained in the OTS's review of Pensioner Taxation (January 2013).

Recommendation	Government response, April 2013	Progress
<p>The OTS review recommended that DWP issue a P60 style form stating the amount of taxable income (from the State Pension and other taxable state benefits) that each pensioner was entitled to in the previous tax year.</p> <p>The OTS acknowledged that this would be a significant and costly undertaking.</p>	<p>"The Government agrees that more could be done. HMRC will therefore look at providing this information to pensioners through the tax statements the Government plans to issue from 2014/15. These tax statements will be provided to around 20 million taxpayers, including pensioners, and where relevant will contain information on state pension and other pension income. In the longer term as HMRC develops its digital services this information will become available to more people online."</p>	<p>Annual Tax Summaries will be issued to 24 million taxpayers, including pensioners. Paper summaries will be issued to 16 million PAYE customers who have been issued with a coding notice (P2) or tax calculation (P800) in the previous 12 months. Where relevant, summaries will include income under the following categories: State Pension, Other Pension income and taxable State Benefits.</p> <p>The paper summaries will be issued between October and December 2014 and will be for the 2013/14 tax year. Online summaries will be available to view by the 8 million taxpayers in Self Assessment who file online. These customers will have access to their Tax Summary shortly after they submit their return.</p> <p>Looking further ahead, DWP's digital approach for the single-tier pension should provide customers with more information. Customers will be able to view their State Pension entitlement online for each tax year; this will help them complete their tax returns.</p>

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		<p>DWP are working on the delivery plan for this work in order to confirm when the service functionality will be available. DWP have also looked at the possibility of extending this service to other benefits paid to a customer, but that work is unlikely to be within the scope of the Single Tier Pension project.</p>
<p>The OTS recommended that HMRC introduce a single composite PAYE coding notice to aggregate the various individual codes for each source of income and reconcile this to the personal allowance.</p>	<p>“HMRC will review how composite PAYE coding notices could be delivered. HMRC will need to assess the costs, benefits and risks of this proposal in light of the wider shift to digital services. They will continue to keep the OTS updated on their work in this area.”</p>	<p>HMRC plan to invest in providing better, aggregate information about tax codes through new digital services.</p> <p>HMRC want to provide easy to use, convenient digital services for the majority of our customers, whilst supporting those who can't use digital tools to make sure that no one is excluded. In 2013, we have focused on four digital exemplar services – including an early PAYE online service and Digital Self Assessment.</p> <p>The new digital PAYE service will allow a small number of customers to use online tools such as tax calculators and improved guidance to understand their tax code and to report changes that will automatically amend their tax code. Initially, this service will be limited to car and car fuel benefits and is planned to begin in April 2014. We expect to expand the service later in 2014, providing many more customers with access to improved information about their tax code, how it has been calculate and allocated against different income sources.</p>

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		<p>We do recognise there will always be customers who will need support to use digital services and are working to ensure appropriate Assisted Digital services are in place for those who either need or really cannot get online.</p>
<p>The OTS recommended that HMRC redesigns form R85, on which non-taxpayers can apply to have their interest on savings paid gross, as well as the accompanying help sheet.</p>	<p>“HMRC’s user testing found that most customers found the form straightforward to complete. However, HMRC will consider whether they can improve the help sheet and, as you suggested in your review, is also exploring with the British Bankers Association (BBA) and the Building Societies Association (BSA) whether the R85 procedure can be made easier for eligible savers.”</p>	<p>HMRC has been working with the BBA and BSA to see what could be done to promote the use of form R85. As a result of this work the BBA consulted its members and then worked with HMRC to update the information on its website. A printable extract of the updated information is now available.</p> <p>OTS met with the BBA and HMRC on 19th November when details of the joint working were explained. LITRG have also commented positively on this cooperative working in an update on their website.</p> <p>HMRC and LITRG have now worked together to produce an amended R85 Helpsheet for use from April 2014.</p> <p>At Budget 2014 the Government announced changes to the starting rate for savings that will take effect from 6 April 2015. These changes mean that more savers will be eligible to have their savings income paid gross. HMRC will work closely with the BBA and BSA to deliver updated guidance on use of the R85 process and develop a new form and helpsheet for 2015 that explains the new process.</p>

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<p>The review suggested that HMRC allow people to submit Form R40 electronically. Form R40 reclaims overpaid tax on savings income.</p>	<p>“HMRC are currently exploring ways to allow people to claim annual repayments online via Self Assessment without becoming subject to the self assessment penalty regime, which would be an alternative way of enabling electronic claims for a tax refund.”</p>	<p>HMRC have been piloting using the Self Assessment return procedure to claim repayments (instead of submission of the R40) as this provides a full online service.</p> <p>This pilot was due to end at the end of September. However, following feedback the pilot is being extended by 12 months to include those customers who have an ongoing PAYE source.</p> <p>We will use the evaluation from these pilots to consider future options.</p>
<p>The OTS also recommended a review of Government communications to pensioners about how the state pension is taxed, as well as clearer information about how the personal allowance and tax codes operate.</p>	<p>“HMRC and DWP have formed a steering group to review pensioner communications which will continue to facilitate joint engagement.”</p>	<p>HMRC and DWP have been working collaboratively to promote messages around state pensions and taxation. The success of this work was commented on by OTS in their January 2013 report on the simplification of pensioner taxation.</p> <p>Building on this success DWP now request input on all their literature and we act as the single point of contact for this work. Over 300 documents have been reviewed equating to 80 publications.</p> <p>DWP and HMRC have also been working collaboratively with Government Digital Services to enhance the online information on gov.uk on pensions and tax.</p>

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		<p>Educating pensioners about the effects of taxation on pensions remains of high importance, and HMRC continues to look at more innovative ways to deliver messages.</p>