



HM Revenue  
& Customs

# The tax administration framework: Supporting a 21<sup>st</sup> century tax system

**Summary of responses**

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# 1. Executive Summary

- 1.1. The tax administration framework is a key part of delivering on the Government's 10-year tax administration strategy - '[Building a trusted, modern tax administration system](#)'. The strategy sets out how HMRC will make sure tax administration keeps up with the rapid changes taking place in society, the economy and technology to deliver the flexible, resilient and responsive tax system the UK will need in the years ahead. The strategy focuses on delivering a fully digital tax system that works closer to real-time, is fair and builds trust – allowing taxpayers to pay the right tax with ease as they live their lives and go about their business.
- 1.2. The legislative framework on which the UK tax system is based needs to support effective tax administration in today's world. It needs to recognise fully the development of new digital systems and how taxpayers experience the tax system.
- 1.3. The call for evidence sought views on how the legislation, processes and guidance underpinning HMRC's administration of the tax system could be updated to provide a better experience for individuals and businesses, enable opportunities to further reduce the tax gap, and help build resilience and responsiveness to future crises.
- 1.4. There was overwhelming support from respondents for changes to simplify the tax administration framework and reduce administrative burdens for individuals and businesses. Many respondents felt HMRC should be **more transparent in its interactions with taxpayers**, give taxpayers a clearer picture of the information HMRC holds, and make better use of that information to improve taxpayer services.
- 1.5. Many respondents felt that **greater certainty and clarity** were key factors in building trust. Respondents suggested this clarity needs to be reflected both in legislation and administrative guidance. There was a significant emphasis on ensuring that taxpayers could easily determine their tax liability and understand why HMRC requests specific information. This was seen by many respondents as crucial for better financial planning and reducing unnecessary interactions with HMRC.
- 1.6. Many felt that there was a **disparity in treatment** between different taxpayers. Some respondents highlighted the need for guidance to be clearer and broader so that all taxpayers are aware not just about their obligations, but also about the claims and reliefs to which they may be entitled. Some respondents suggested that HMRC could do more to support those who might not be able to afford professional advice. Respondents felt that a fairer system would help HMRC build more trusting relationships with taxpayers.
- 1.7. Many were also in favour of using the Tax Administration Framework Review to **support digital reform** to build a modern, digital tax system that is adaptable, resilient and responsive. These reforms included collecting more real-time information, increasing the use of pre-population and the development of the Single Customer Record and Account. Most stressed the need to support people who cannot use or struggle with digital technology.

- 1.8. The Government is grateful to all those who responded to this call for evidence. This Summary of Responses reflects both the breadth of feedback, and the strength of feeling as to how the core functions of tax administration could be updated for a 21<sup>st</sup> century tax system. This wide-ranging feedback will support HMRC's long-term reform programme. HMRC will consider how best to develop, prioritise and sequence proposals for changes to the framework.
- 1.9. The Government will take account of responses to this call for evidence in considering how best to develop, prioritise and sequence proposals for change. HMRC will develop a roadmap for future consultation and analysis, working with stakeholders to ensure this review balances careful, incremental reform with ongoing support for the Government's 10-year vision for the tax system.
- 1.10. The tax administration framework is an integral part of the tax system, and its reach is wide-ranging. The Government is already progressing work in several areas which have implications for the tax administration framework and will be supported by or complement this review. This includes:
- a call for evidence on Income Tax Self-Assessment registration for the self-employed and landlords, which has been published alongside this Summary of Responses. Feedback submitted in response to Chapter 3 of the Tax Administration Framework Review call for evidence, which sought views on taxpayer registration, will help shape this work;
  - a single digital account for all taxpayers that is easily accessible and secure is a key component of the Government's vision. This review will continue to consider how the tax administration framework should support its development;
  - further work on the use of third-party data and pre-population, which will require careful consideration of safeguards and obligations for taxpayers, agents, third-party data providers and HMRC, drawing on the evaluation of the implementation of HMRC's powers introduced since 2012;
  - following a recent consultation, the Government announced at Budget its intention to proceed with reform of basis periods for Income Tax. A consultation response document was published alongside legislation in the Finance Bill, and further technical engagement is planned. This review will support work on reform of basis periods, considering the feedback provided in response to Chapter 4 of the call for evidence, which sought views on assessment of liability;
  - the Government plans to engage with stakeholders on how HMRC can make better use of data to improve its understanding of taxpayers and support an effective and modern tax system. This work will include how new and improved sources of data, and improvements to the accuracy of data already held, will support the design of better services for taxpayers;
  - the Government published a consultation on the alcohol duty system on 27 October 2021. This includes objectives common to the Tax Administration Framework Review in setting out proposals for a simpler administrative regime that reduces burdens on producers; and
  - the Government has announced action to improve tax administration for large businesses, which complements this wider review.

## 2. Introduction

### Background to the call for evidence

- 2.1. [Building a trusted, modern tax administration system](#), published in July 2020, set out the Government's vision for the future of tax administration in the United Kingdom. At the heart of this strategy was a commitment to review the legislative framework that underpins tax administration.
- 2.2. The tax administration framework refers to all legislation, guidance and processes relating to how HMRC collects revenue and makes payments. It provides the foundations that support all the taxes and duties that HMRC administers.
- 2.3. The framework shapes how taxpayers deal with their tax affairs, whether they do this themselves or someone, such as an agent or intermediary, does it on their behalf. It plays a critical role in the level of trust that people have in the tax system, shaping their experiences of, and relationship with, HMRC.
- 2.4. The ways in which people work, structure their businesses, and manage their income are changing. Their expectations of a trusted, modern tax administration system, and how they would like to report and pay their taxes, are also changing.
- 2.5. Some elements of the UK's tax administration framework are now over 50 years old and were not designed for a modern, digital tax system. The laws governing tax administration need to change to allow HMRC to deliver world-leading services and support taxpayers better as they interact with HMRC digitally.
- 2.6. The Government published a call for evidence ([The Tax Administration Framework: Supporting a 21<sup>st</sup> Century Tax System](#)) on 23 March 2021 which closed for comments on 13 July 2021. The call for evidence was structured around five core functions of tax administration:
  - ensuring consistent obligations for people to enter and exit the tax system
  - improving the way tax liabilities are calculated and assessed
  - using data and information to make tax compliance effortless for the majority
  - tax payments and repayments; and
  - building in effective methods of verification, sanctions and safeguards to promote compliance

### Summary of responses

- 2.7. This document sets out the summary of responses to the call for evidence. Government officials held 64 meetings and received 50 comprehensive and detailed written responses from a wide range of stakeholders. This was in addition to

comments received in roundtables and other stakeholder events. The breakdown of written responses included:

- 27 from professional bodies
- 5 from tax agents and accountancy firms
- 4 from businesses or corporations
- 11 from individuals
- 3 from others

We are grateful to those who submitted responses and gave their time to talk to us, particularly during the uncertain months of COVID-19.

- 2.8. The following chapters provide a summary of responses and next steps. This marks the start of a long-term programme of reform to support the Government's 10-year vision for the tax system. The Government and its officials will continue to work with stakeholders to analyse this feedback and prioritise subsequent areas for change.

## 3. Responses

- 3.1. This chapter summarises the views expressed by respondents to the 29 questions in the call for evidence, and the Government's responses. These have been grouped into sections corresponding to the original chapters from the call for evidence.

### Chapter 2: Reviewing the tax administration framework

- 3.2. This chapter of the call for evidence sought views on how HMRC should approach this review, including the suggested priorities and objectives.

#### Q1. Are there reforms which HMRC should focus on for the framework review? Which changes should we prioritise to drive improvements in the taxpayer experience?

- 3.3. There were 42 responses to this question. Many respondents also used this as an opportunity to share general reflections on the goals and approach of the review.

- 3.4. The main themes from responses were:

- this is a broad review and reforms should be approached carefully and incrementally;
- it is important to maintain a balance of rights and obligations between HMRC and taxpayers;
- agents have a key role to play in the tax system and their role should be supported; and
- the current tax administration framework is complex, and this could be an opportunity to update and consolidate the legislation.

- 3.5. This question prompted detailed responses on the following themes:

- **Guidance:** several respondents thought HMRC's guidance could be improved, using consistent terminology across different guidance products and linking guidance between taxes. This needed to be coupled with educating younger generations on taxation, and considering whether an increasingly automated, digital approach could erode understanding of the underlying tax obligations and calculations.
- **Harmonisation:** views on harmonisation were mixed: many believed that making the experience of interacting with the tax system more similar, across different taxes and duties, could reduce administration costs for taxpayers, agents and HMRC. A consistent approach should be considered where there were clear benefits for taxpayers. Some cautioned against adopting the goal of harmonisation for its own sake and highlighted the importance of considering the transitional costs to taxpayers and businesses of moving to any new reporting or payment deadlines. A few respondents felt that aligning the UK tax year for individuals with the calendar year could bring benefits, such as allowing HMRC

to make better use of the information on foreign income received through international data-sharing agreements. Some agents felt that such a move could create challenges, reducing their ability to spread workloads throughout the year.

- **Joined-up data:** some respondents highlighted the need for more interaction and transparency across HMRC's existing systems and processes, as well as across Government departments, to allow taxpayer data to flow more effectively. Before bringing in more data sources, many respondents want HMRC to make better use of the information it already holds such as using it to pre-populate tax returns to reduce administrative burdens for taxpayers.
- **Opportunities from a digital tax system:** most responses welcomed further digitisation of the UK tax system and felt that digital reform could offer significant enhancements to both the efficiency and effectiveness of tax collection. However, most cautioned against rushing into further digital reform without fully considering:
  - effects on digitally-excluded and digitally-challenged taxpayers;
  - impacts on the UK economy, including transitional costs for businesses; and
  - the availability of Government funding.

3.6. Some respondents noted that more automated decision-making could free up HMRC resource to concentrate on other priorities, while acknowledging that some areas of tax administration might be too complex to automate.

3.7. The call for evidence generated many specific ideas for reforms, which are more fully explored in subsequent questions and feedback. These include:

- an **initial focus on Income Tax** (including interactions with Capital Gains Tax) **and National Insurance**. Improvements to these regimes were seen as having potential benefits for the greatest number of taxpayers;
- **more timely processing of VAT registrations and repayment claims;**
- **integrating Income Tax Self-Assessment returns** (submitted using commercial software) into the Personal Tax Account;
- creating a **consistent and shareable digital identity for individuals and businesses**, allowing a simpler data exchange between Government departments and third-party data providers;
- **allowing taxpayers to see their full liability in one place** with services for taxpayers under a Single Customer Account;
- **improved search facilities:** for example, when locating guidance on GOV.UK;
- **more 'self-serve' facilities** to remove the need for active intervention by HMRC staff;
- **holding third parties to a higher standard** when it comes to the software that they produce; and
- making **greater use of Simple Assessment**.



## Q2. Where is the tax administration framework creating challenges to the trust that taxpayers place in the tax system and HMRC's administration of it? How could the framework be reformed to address these challenges?

3.8. There were 39 responses to this question. The main themes were:

- the current complexity of the tax system undermines trust, and HMRC has a responsibility to raise awareness of taxpayer obligations; taxpayers sometimes do not understand their basic obligations; and difficulties in accessing information can put taxpayers off from engaging with their obligations;
- taxpayers sometimes struggle to access and provide up to date information about their personal circumstances, for example when moving from employment to self-employment. A joined-up experience for each tax and, where it is practical, a joined-up experience between different taxes would help to build trust; and
- powers and sanctions are sometimes applied in ways that feel arbitrary and without regard to the underlying taxpayer behaviour and compliance history.

3.9. This question prompted detailed responses on the following:

- **Interacting with HMRC:** some respondents commented on the different levels of support provided to taxpayers and agents, and the ways in which interactions with HMRC varied depending on the value and complexity of their tax affairs. For example: larger and more complex businesses were often assigned Customer Compliance Managers (CCMs); individuals with higher incomes often employed an agent and had fewer interactions with HMRC, while those on lower incomes often had more direct contact and a greater need to be informed of their rights and obligations. It is important to ensure that all taxpayers can access appropriate HMRC support and expertise when they have queries about their obligations.

Effective routes for engagement, consistent messages from HMRC staff, accurate data, and the use of multiple communication channels (in addition to telephone) were seen as important tools for building trust. Some respondents believed there was scope to improve HMRC's 'Where's my reply' service to allow taxpayers to track their progress and improve transparency. Others suggested the greater use of proactive 'prompts' rather than relying on the publication of information on GOV.UK which taxpayers might not readily access.

- **Correcting errors and mistakes:** some respondents believed that, where errors occur, taxpayers should have sufficient opportunities to amend and rectify them without a penalty. Exceptions and human intervention could be built into the automated penalty regime, to ensure sanctions were proportionate and fair.

The more data is used to support tax administration the easier it should be to identify errors. Some respondents suggested that this could help focus HMRC's efforts and interventions in the areas where it would have the most impact. Conversely, if automation led to a disproportionate amount of time spent on small errors, it could slow down and frustrate tax collection and administration processes.

- **Compliance enquiries:** some respondents called for greater transparency in compliance enquiries, ensuring taxpayers understand, from the outset, the rationale for the enquiry taking place. Some felt that HMRC's approach has shifted over the years, moving away from collaborative working towards a greater and quicker use of mandatory disclosure, penalties and enforcement. A few respondents suggested the legislative framework is a factor in this, creating a combative relationship between taxpayers and HMRC where the taxpayer must dispute HMRC's decisions which could lead to a formal appeal.

Some respondents also cited variations in how enquiries are conducted, including how powers are applied. Some believed HMRC sometimes imposes challenging and arbitrary deadlines when requesting information from taxpayers and noted that the length of time HMRC takes to respond to correspondence varies. Consistency in approach was seen as important in promoting fairness and strengthening trust in HMRC's application of its powers.

- **How HMRC uses data:** greater use of real-time information was seen as creating further challenges for building trust. A few respondents cited situations where incorrect information from third-party data sources had been reported to HMRC and the taxpayer had been required to correct the position. Clear obligations and responsibilities were needed to minimise these situations.

As well as building trust with taxpayers and their agents, some respondents pointed to trust with third-party organisations and software suppliers. Complex tax law was perceived as giving rise to complex HMRC systems. As a result, HMRC should produce full specifications and give consideration at an early stage as to how a policy will be implemented digitally and consider ways to reduce the administrative and cost burdens for taxpayers and businesses.

**Q3. Do you agree that these are the right overarching objectives to guide this review or do you believe there are others it should consider? Do you feel that some of these objectives are more important than others?**

3.10. The call for evidence suggested some objectives to guide the tax administration framework review:

**Box 3.1: Objectives for the tax administration framework review**

A revised tax administration framework should:

- **provide certainty and appropriate safeguards for taxpayers.** Obligations should be clear and easily understood, with decisions made in a consistent way that promotes trust and fairness. This should be coupled with appropriate safeguards and effective support, particularly for taxpayers who need extra help and those in vulnerable circumstances
- **be flexible enough to adapt to changing circumstances and enable targeted support for taxpayers.** It should support a simpler experience for those who are working, structuring their businesses or managing their income in non-traditional ways. The framework should also have the flexibility to allow the tax system to respond to future technological, economic and social change, and deliver targeted policy responses to any future crises

- **support HMRC’s aim to make it easy to get tax right and hard to get it wrong.** The framework should provide clarity over what taxpayers, intermediaries, third parties and HMRC need to do, and by when
- **help build trust in a tax system that is recognised as fair and even-handed.** This means supporting modernisation, reinforcing the capability to respond to emergencies, and reassuring taxpayers that HMRC’s powers are proportionate and will be used fairly, carefully and consistently to ensure that everyone pays the correct tax, and include appropriate safeguards for taxpayers
- **be as simple and transparent as possible,** supporting the simplification of tax administration processes to improve taxpayers’ experiences, and meet their expectations of a modern, digital tax system
- **help reduce the cost for taxpayers of meeting their obligations and drive down the costs to the Exchequer.** It should support approaches that reduce any time and costs for taxpayers, agents and representatives in interacting with the tax system, and make it easier for HMRC to collect the tax that is due.

3.11. There were 32 responses to this question. The main themes from responses were:

- the majority of respondents felt the overarching objectives were broadly right;
- some respondents believed these principles should be applied to the existing framework first. Any new systems and supporting tools should undergo tests to ensure that they meet the review’s objectives, before they are implemented;
- some respondents suggested that the reduction of costs to the Exchequer, as well as costs to taxpayers, third parties and agents, should be an objective of the review. Some respondents suggested an objective should be to ensure all businesses, regardless of size, are given sufficient time to prepare for policy and legislative changes (including transitional arrangements). A few respondents suggested an objective should be clarity over what taxpayers, intermediaries (including agents), third parties and HMRC need to do and by when;
- several respondents noted that, in delivering the objectives, it will be important for HMRC to ensure the objectives are applied consistently across all new policies and systems. In meeting the objectives, the review should not lose sight of the need to build a “trusted, modern tax administration system” and “to provide certainty and appropriate safeguards for taxpayers”;
- a few respondents suggested that the review’s objectives should include specific reference to allowing a taxpayer to appoint an agent to act on their behalf. Many repeated their suggestions made to Q1, regarding the importance of accommodating digitally-excluded and digitally-challenged taxpayers. There was no real consensus on whether any of the objectives were more important than others. Some felt that the objectives should be considered and prioritised depending on the context of a proposed improvement. For example, when it is not possible to have a system which is both fair *and* simple, the administration of the tax system could be made to ‘feel’ easier by creating systems which help taxpayers to comply.

**Q4. How could the review ensure the best coverage of viewpoints and expertise from those who depend upon the tax administration framework? Are there particular models of consultation engagement or collaboration that could work well?**

- 3.12. There were 24 responses to this question. In reviewing the tax administration framework, most respondents emphasised the value of wide and effective stakeholder engagement. A few offered to facilitate a collaborative approach or act as conduits for engaging stakeholders. Some performed this role as part of this call for evidence, and the Government is grateful for their assistance.
- 3.13. Some respondents suggested that any prospective legislative changes should be delegated to a working group of multiple stakeholders. Some suggested an expert panel, with representatives covering the whole taxpayer population, as a way of inviting challenge and generating ideas at an early stage.
- 3.14. Direct input from taxpayers, and discussing matters with individuals and businesses directly, was seen by some respondents as crucial. Online focus groups, workshops and webinars could help to reach a wider population of taxpayers as long as proposals were concisely and clearly explained. Surveys were suggested as another route, with some citing simple surveys as used by the Office of Tax Simplification (OTS) and professional bodies, to reach those who would not normally engage with Government consultations. Some noted the need to reach out to unrepresented, digitally-excluded, and digitally-challenged taxpayers.
- 3.15. Some respondents noted the complexity of the tax administration framework (both in legislative terms and conceptually). They encouraged HMRC to consider streamlining consultation processes, aim to reduce the size of documents and include more practical and less theoretical content. This could be coupled with clear, illustrated milestones and planned, phased changes, allowing businesses to prepare and budget accordingly.
- 3.16. Some respondents perceived HMRC as entering some consultations with a pre-conceived conclusion and stressed that collaborative exercises worked best with an open mind as to the outcome. The modernisation of taxation of life insurance companies (introduced in Finance Act 2012) and COVID-19 support schemes were cited as good examples of a co-operative approach to designing complex systems.

**Q5. Are there other international examples or models of tax administration that could inform this review of the UK's tax administration framework?**

- 3.17. There were 23 responses to this question. The majority of respondents cited the importance of drawing from international best practice but only a few included specific examples. Among those were:
  - the digital advances made by the Australian Tax Office, with the suggestion that further research could generate useful lessons for the UK's approach;
  - New Zealand's "Making Tax Simpler" initiative, which was originally launched in 2015 and seeks to have 85% of small- and medium-sized enterprises (SMEs) using digital record-keeping. Respondents noted that this example should be considered in the context of a far smaller population in New Zealand compared to the UK; and

- Estonia’s secure data exchange layer; respondents noted that its success demonstrates the power of having a functioning and effective underlying Government infrastructure in respect of digital identity.

## **Government response to Chapter 2**

The Government welcomes the diverse, detailed and considered viewpoints on the topics raised in this chapter. The call for evidence was intended to generate ideas at an early stage, without any prior conclusions. The Government therefore anticipated wide-ranging and varied views from respondents, all of which will be considered carefully before deciding on next steps.

The Government recognises that this review will need to balance the benefits from digital reform and the continued transition away from paper-based processes, with the need to continue supporting those who have difficulties accessing or interacting with digital systems.

The Government notes that there are mixed views on harmonisation and, particularly, the merit of unifying filing and payment dates across taxes and duties. There was, generally, more solid support for harmonising the *experience* of interacting with the tax system for different taxes (for example, through a single, unified process). Any reforms with the goal of harmonisation should be assessed on their potential to deliver tangible improvements to taxpayer experience.

Some respondents commented on the importance of a proportionate and fair approach to sanctions. Autumn Budget 2021 confirmed next steps for the reform of penalties for late submission and late payment of tax for Income Tax Self-Assessment and VAT. This new penalty regime is designed to make sanctions for failing to file or pay on time simple, fair and effective. It will penalise the small minority who persistently do not comply, while being more lenient on those who make the occasional slip-up.

The Government recognises that trust in any tax authority can be affected by a wide range of influences, taxpayer interactions and experiences and is grateful for respondents’ views on this topic.

HMRC is engaging with the Australian Taxation Office on their approach to modernising their tax framework and transitioning to a digital system, and to understand their legislative underpinning. HMRC will continue to analyse examples of modernising tax administration in other tax authorities, including drawing on academic research and the work of the OECD. Notably, this includes the OECD’s discussion paper *OECD Tax Administration 2021 (Comparative Information on OECD and other Advanced and Emerging Economies<sup>1</sup>)*.

The Government welcomes respondents’ support for HMRC considering international examples and HMRC will continue to engage with other tax authorities where their insights will assist the progression of this review, particularly countries with similarly complex tax codes to the UK who have taken steps to modernise and simplify their tax administration.

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<sup>1</sup> <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-3-0-the-digital-transformation-of-tax-administration.htm>

## Chapter 3: Ensuring consistent obligations for people to enter and exit the tax system

3.18. This chapter sought views on how the tax administration framework could support improved registration and de-registration (and associated processes).

### Q6. What are the key challenges with the current legislative provisions relating to the identification and registration of taxpayers?

3.19. There were 32 responses to this question. The main themes from responses were:

- **Registration concepts:** respondents believed more clarification is needed on the distinction between notifying chargeability and registering, and the respective purpose of each. Changes in the labour market, with more individuals moving between self-employment and employment, with irregular and ad hoc income streams, add to the challenge of understanding obligations. Some respondents noted that the concept of a taxable presence in the UK was complex for those entering the UK (or UK market) to understand. These examples of complexity could be a factor in non-compliance from some taxpayers where their actions are based on a misunderstanding of the rules.
- **Education and awareness:** respondents suggested taxpayers are not always aware of their requirements to register, subscribe and/or de-register. The need for education, and development of targeted guidance for all tax regimes was a recurring theme in responses, especially for new taxpayers.
- **Identifying taxpayers:** some respondents suggested a single unique identifier for taxpayers and businesses would be a crucial component of a modern, digital tax system that operates closer to real-time and incorporates greater use of third-party data. A similar recommendation was made in the OTS's report in July 2021: *Making better use of third-party data: a vision for the future*. This report also advocated using prompts as a reminder to register. Some suggested prompts could be delivered via Personal Tax Accounts; others suggested that third parties (such as banks, solicitors, estate agents) could also play a role.
- **Digital processes:** some respondents believed the current situation was a confusing, two-part process of both verifying their identity and registering (for a Personal Tax Account, for example). There was a desire for a single customer account/single digital portal giving taxpayers a clear and complete view of their tax affairs and the ability to register and de-register in one place. Some respondents noted that there should also be a streamlined agent authorisation process to allow taxpayers to authorise one or more agents to act for them across all relevant taxes and duties. This digital access for agents needed to be activated at the same time as the services for their clients.

Some respondents cited concerns with quarterly reporting for VAT as part of Making Tax Digital (MTD) for Businesses and believed the extension to individuals in Income Tax Self-Assessment would exacerbate the challenges. This was due to potential confusion in distinguishing between an "individual" tax obligation and a "business" tax obligation, when in some cases this may relate to the same person.

## Q7. What benefits of the current legislation should be preserved?

3.20. There were 18 responses to this question. The main themes from responses were:

- **Taxpayer safeguards:** the majority of respondents felt that current safeguards should be preserved as part of any future reforms.
- **Income Tax Self-Assessment:** the process of registering for Income Tax Self-Assessment was seen as broadly working well, with some commenting that it was helpful the Unique Taxpayer Record remained active to allow taxpayers to enter and exit the system. Some respondents felt that HMRC's powers of discretion should be preserved, such as allowing HMRC to withdraw a notice to complete a Self-Assessment tax return and cancel associated penalties.
- **Pay-As-You-Earn (PAYE):** this was cited as an effective way of collecting and administering taxation with minimal employee registration.
- **Simple Assessment:** Several respondents cited the changes made to Simple Assessment in 2016 as a positive move because they took more people out of the Self-Assessment regime. Some felt it could be extended further to include more groups, and HMRC guidance could be clearer on the responsibility of the taxpayer to check their Simple Assessment tax calculations.
- **Harmonised penalty regime:** some respondents were keen to preserve the harmonised penalty regime introduced in Schedule 41 of *Finance Act 2008*, and that 'failure to notify' penalties being based on potential lost revenue is an important safety net which should be retained. Taxpayers are sometimes not aware of their obligation to notify, but often are not liable to any additional tax, which means that even where a failure to notify penalty is due the amount of that penalty can be nil. Similarly, the application of tax-geared penalties for late notification ensures taxpayers can mitigate a late notification penalty so long as they paid their tax in full by the relevant payment date.

## Q8. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of identification and registration of taxpayers?

3.21. There were 24 responses to this question. The main themes from responses were:

- **Social and economic changes:** many respondents commented on the challenges posed by the changing world of work, such as cross-border, remote and international work practices. The increasing number of workers in the 'gig' economy also posed a challenge.
- **Devolved Administrations:** some respondents noted that the tax system needs to ensure that a taxpayer's place of residence is identified correctly so they pay the right amount of tax for the right jurisdiction. The tax administration framework should better support UK taxpayers who access their accounts from overseas and allow the exchange of information between tax authorities.
- **Identification and authentication of taxpayers:** some respondents repeated the need for a single identifier with a single place for taxpayers to register and appoint an agent. This could be used to trigger registration for other taxes. A

single registration portal could also be used to make it easier for taxpayers to interact with other public services.

Some respondents cautioned that an increasingly digital tax system would need robust identity authentication to minimise the risk of fraud, data mismatch and cyber-attacks.

- **Bereavement and additional support:** some respondents mentioned bereavement and the processes for people unable to handle their own tax situations. Notification of the death of an individual was seen as a complex issue. The Government operates a “Tell Us Once” service to report a death to most Government organisations in one go, but this notification did not always filter across all HMRC regimes. Similarly, those who have Power of Attorney faced challenges as not all parts of HMRC were notified in a consistent way.

Some respondents noted that the framework will need to continue supporting vulnerable taxpayers and those least able to engage with the tax system. Those who found it challenging to interact with a digital tax system would still need the ability to register and pay their taxes.

- **Automatic registration:** respondents’ views were mixed on automatic registration for taxpayers. In some situations, such as automatically registering businesses for Corporation Tax during the process of forming a company, there were perceived to be clear benefits to the taxpayer and HMRC. Some felt that automatic registration could increase the scope for errors and result in people being enrolled in regimes who did not need to be in them.

### Q9. Are the current approaches to the timing of registration still appropriate, or are there opportunities for reform?

3.22. There were 27 responses to this question. The main themes from responses were:

- **Changing the timing of registration deadlines:** respondents provided a range of views on the opportunities to reform registration timing, with a particular focus on registering for Income Tax Self-Assessment. Many identified the gap between taxable activity commencing and the deadline for registering as an issue, and more respondents were in favour of change in this area than against. Some respondents wanted to see a change in the timing of registration or notification of liability for Income Tax Self-Assessment. Some acknowledged this could be complex. Suggestions for different registration deadlines included; registering within 6 months of commencing a new taxable activity; registering within 3 months of commencing new taxable activity; registering before the first return is due under MTD rules; and registering by the end of the first year of new taxable activity.

Some respondents believed there was confusion between notifying chargeability and the obligation to file a Self-Assessment return. The current timings of PAYE and Self-Assessment mean taxpayers receive Income Tax calculations for both. Most respondents felt that any change in the timings should be done in a way that does not penalise or discourage those that fail to register immediately.

- **Harmonising registration deadlines:** some respondents supported the idea of harmonising registration deadlines for different taxes and considered this could



simplify registration and make it easier to navigate registration processes. Others did not see an issue with the current timings and believed there were good reasons for different taxes to have different deadlines. They also thought that current timings were ample enough to notify chargeability and noted that taxpayers did not have to wait until the deadline to register and could do so earlier if they chose. These respondents suggested a better goal would be to make existing processes consistent and as simple as possible.

### **Government response to Chapter 3**

The Government recognises that the timing of registration, particularly in relation to Income Tax Self-Assessment, was a significant theme in responses to the call for evidence relating to registration. The Government considers that reforms to the timing of registration may provide opportunities to better support taxpayers and improve their experience during the early stages of new self-employment. The Government has published a call for evidence alongside this Summary of Responses, exploring the case for reforming Income Tax Self-Assessment registration for the self-employed and landlords.

Many responses noted potential benefits of a single customer account or digital portal that could enable all taxpayers to subscribe and unsubscribe from tax regimes in a smoother, more consistent way. This review will explore opportunities for further simplification of registration processes to improve the taxpayer experience and strengthen compliance and trust in the tax system, including during development of the single customer account and single customer record. The Government endorses the views expressed by many respondents that a reformed framework will need appropriate safeguards, including continued support for vulnerable taxpayers, and will need to consider the needs of those who struggle to interact with HMRC digitally.

It is essential that taxpayers have a good understanding of their tax obligations, including when they need to register for tax and how they go about doing so. The Government notes that many respondents felt that this is currently not the case. HMRC will consider how to make better use of data from third parties to ensure that taxpayers are aware of their obligations to register for tax, and the use of nudges, prompts and educational communication. HMRC will also explore the opportunities that a single customer account may provide to help signpost education and awareness products to taxpayers and help them to access guidance.

The Government notes the many responses relating to the importance of identifying taxpayers, and the role that concepts such as single digital identifiers could play here. This is an issue that many respondents also commented on in other parts of the call of evidence, notably chapter 5 on data and information, and one that HMRC will consider further with stakeholders. The Government recognises that tax administration should be responsive to evolving ways of working and changes in how people wish to interact with the tax system, whether they are employed or self-employed. As this review progresses, it will consider how potential reforms to registration could make things simpler for those with more complex tax affairs and those working in the 'gig' economy, in addition to the broader population of taxpayers.

## **Chapter 4: Improving the way tax liabilities are calculated and assessed**

3.23. This chapter sought views on how the rules and processes for calculating liability might be improved, through smarter use of data held on taxpayers and their activities, digital advancements, and harmonisation of processes.

#### Q10. What key issues relating to the way tax liability is established arise within the existing legislative provisions?

3.24. There were 27 responses to this question. The main themes from responses were:

- **Complexity:** the majority of respondents mentioned the complexity of legislation and existing processes for calculating tax liabilities compounded by the use of different systems and processes, as well as the application of different timeframes and deadlines across taxes. The calculation of tax liabilities for Trusts was considered by some to be the most difficult to apply and in need of simplification. Some respondents believed these complexities made it difficult for taxpayers to understand when and how their tax liabilities arose, and that it was not always easy to get support from HMRC when difficulties arose.

Penalties, interest rates and surcharges were cited by many respondents as an area where a more consistent approach could make it easier for taxpayers to navigate the system, understand their obligations and the consequences should they not meet them.

Some respondents cited complexities with payrolling benefits-in-kind. They believed that further modernisation in this area was crucial to build capability in accurate data collection and processing, and minimise the need for manual interventions and corrections by employers, employees and HMRC.

- **Accounting periods:** some respondents cited basis periods (the way in which trading income is allocated to tax years) as a potential opportunity for simplification suggesting that this should be a key area of priority for HMRC. Some respondents suggested the PAYE/Income Tax year running 6 April to 5 April did not make sense, while calendar years were more intuitive. Others considered that the variety of different deadlines for different tax returns added to complexity and administrative burdens.
- **Structure of taxes:** although not within the scope of this review, this feedback is noted. Some respondents suggested the Government undertake a review of tapers and 'cliff edges' in the tax system, where taxpayers move between thresholds for different tax rates. Respondents believed these could result in high and unexpected marginal tax rates and discourage economic activity. Some respondents also recommended simplifying rates, allowances, and bands and harmonising these across taxes, so that all types of income were charged to Income Tax at the same rate.

#### Q11. What benefits of the current legislation should be preserved?

3.25. There were 19 responses to this question. The main themes in responses to this question were:

- **Responsibilities and safeguards:** most respondents to this question believed (outside of taxes that are currently withheld, such as PAYE) the principle that tax is self-assessed, and that taxpayers are ultimately responsible for their own tax affairs, is an important feature of the UK tax system to preserve. This was

seen as giving taxpayers oversight and a good understanding of their tax affairs and how their tax is calculated. Current taxpayer safeguards, relating to HMRC's compliance powers for determinations, corrections, information powers and discovery assessments, should also be retained.

- **Digital processes:** There was a broad consensus that MTD was a positive move. Some respondents were keen to see paper returns phased out in favour of an enhanced, fully digitalised tax system but also repeated the need to retain alternative options for the digitally-excluded and the digitally-challenged. Others warned that an increasingly digital tax system should not compel taxpayers to source and pay for third-party software and that any changes that lessened taxpayer choice should be fully consulted on. Future stages of MTD should build on experience with the implementation of the first stage of MTD for VAT, with a wide range of software suitable for all taxpayers, available by the date by which adoption is mandatory. Respondents stated that this should also include software suitable for users of assistive technology who do not necessarily want to be exempt from MTD. It was also suggested that the software requirements for future stages of MTD be set out in legislation with a long lead time.

### **Q12. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of calculating and assessing tax liabilities?**

3.26. There were 24 responses to this question. The main themes from responses were:

- **Simplifying the taxpayer experience:** around half of respondents emphasised the importance of enhancing simplicity and transparency in assessment processes to improve taxpayer experience and build trust in the tax system.
- **Social and economic changes:** some respondents cited the need for greater flexibility in the future, and for assessment processes to be more responsive to changing circumstances. The framework will need to support changing working patterns and potentially more taxpayers in fluid arrangements.

Some cited the issue of incorrect PAYE codes for individuals in multiple jobs, creating underpayments of tax. It was felt that when HMRC had monthly Real-Time Information (RTI) it should be more responsive and make in-year changes.

3.27. Some respondents referred to the OTS's scoping document on the potential for moving the tax year end-date for individuals. The review was welcomed though it was recognised, as the OTS concluded, that the impact and complexity of any such changes should be considered very carefully.

### **Q13. How could tax return obligations and processes be updated? What should a 'tax return' look like in a digital tax system?**

3.28. There were 23 responses to this question. The main themes from responses were:

- **Digital tax returns:** the majority of respondents supported the creation of a single digital gateway, or single digital account, for taxpayers to report, file and pay their taxes rather than harmonising filing. This could provide taxpayers with an individually tailored list of dates and information such as filing deadlines, payment deadlines and tax losses carried forward with a reasonable alternative for those unable to use or access the digital account.

Some respondents supported pre-population of taxpayer digital tax returns where HMRC already held information. They felt the ability to add information to their digital tax account during the tax year would be useful. This could include bank and building society interest if an account is closed during the year, or self-employment income and expenditure should that source of income cease.

Building on this, several respondents were of the view that a 'tax return' in a digital tax system should include all information HMRC has received from third parties, with sufficient detail for taxpayers to understand where this data has come from. In future, a tax return might look more like a confirmation statement or calculation, presented to the taxpayer to check and confirm by completing a declaration.

While this would support a simpler taxpayer experience, respondents noted that one challenge would be to maintain taxpayer engagement with checking their tax positions and ensuring they remained aware of their responsibilities. Where information had been provided by a third party, it was important that the taxpayer retains the right to correct or challenge this data where they considered it to be inaccurate.

- **Amendments:** some respondents cited complexity with the process for amending tax returns where an error has been uncovered that affects a number of years. For example, a taxpayer can only amend an Income Tax Self-Assessment tax return within a fixed time limit. If outside this time limit then, depending on the taxpayer's position, they can either disclose the additional tax liability or claim overpayment relief.

#### **Q14. How could HMRC better establish tax liability in future, to help build trust in a tax system that people see as fair and even-handed?**

3.29. There were 24 responses to this question. The main themes from responses were:

- **Data-sharing within government:** again, there was support from a majority of respondents for a single taxpayer account or gateway to make the tax system more approachable. This could be supported through better integration between HMRC's systems and those of other Government departments.
- **Transparency:** most respondents noted that HMRC should introduce more transparency measures to assessment processes. This included making tax calculations easier to understand, explaining to taxpayers what they owe and why, and clear information on how to challenge information and decisions.

This principle should also cover reliefs and repayments, making it clearer what taxpayers may be eligible to claim and how to do it. Some respondents believed HMRC's perceived focus on tax liabilities and payments above reliefs and repayments could erode trust in the tax system.

- **Trust:** in order to build trust, some respondents recommended testing new digital systems extensively, with the input of software developers, before rolling them out. Others emphasised the need to reduce errors and correct those errors as quickly and smoothly as possible. For example, missing employment records for taxpayers with multiple employments could serve to undermine trust and

engagement with HMRC. Any further digitisation of the tax system will also need taxpayer protections from the threat of scams and cyber-crime.

The complexity of the tax system was frequently mentioned as a barrier to building trust, and that HMRC should put more emphasis on information included in the 'any additional comments section' of a tax return. This could include important context and clarifications that, if not considered or addressed by HMRC, could increase the risk of errors. This could be particularly important for taxpayers on lower incomes, or workers in the 'gig' economy with more complicated tax affairs, who may not have access to professional tax advice. On the latter, it was suggested HMRC could consider making it easier to divide or apportion Income Tax and National Insurance liabilities for taxpayers with multiple jobs.

#### **Government response to Chapter 4**

The Government notes respondents' comments on MTD. Since the introduction of MTD for VAT in 2019, over 1.5m businesses have joined and many are experiencing benefits. Helping businesses to reduce common errors in their tax affairs allows for better taxpayer interaction and guidance through digital prompts and nudges. On 23 September 2021, recognising the challenges faced as the country emerges from the pandemic, the Government announced it would be introducing MTD for ITSA a year later, from the tax year beginning April 2024.

The Government has recently consulted on its proposals to reform basis periods for Income Tax. An announcement to proceed with these reforms was made at Budget, and a consultation response document containing further information and technical engagement was published on 4 November 2021 alongside Finance Bill legislation.

The Government is grateful to the OTS for their review exploring a change to the UK tax year end date published on 15 September 2021. As the report concludes, any change to the tax year would be a huge undertaking for Government and businesses, and the Government therefore has no plans to explore changing the tax year at the present time.

The Government notes respondents' desire for a more consistent approach to penalties and interest rates to reduce complexities. On 12 October 2021, the Government published an updated [policy paper](#) which set out the latest plans for interest harmonisation and reforms to penalties for late payment and late submission<sup>2</sup>.

The Government also notes the responses received regarding the taxation of Trusts. A consultation reviewing their taxation was carried out between 7 November 2018 and 28 February 2019 and, while the responses to that review did not indicate a desire for comprehensive reform, the Government will continue to keep this matter under review.

The Government intends to undertake further scoping work to determine next steps in improving and transforming the customer journey in relation to PAYE tax codes.

The Government notes respondents' views on pre-populating digital tax returns with the information it receives from third parties and, as noted in the response to chapter 5

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<sup>2</sup> [www.gov.uk/government/publications/interest-harmonisation-and-penalties-for-late-submission-and-late-payment-of-tax/interest-harmonisation-and-penalties-for-late-payment-and-late-submission](https://www.gov.uk/government/publications/interest-harmonisation-and-penalties-for-late-submission-and-late-payment-of-tax/interest-harmonisation-and-penalties-for-late-payment-and-late-submission)

below, is considering options for reforming HMRC's information powers to enable this approach to support a simpler taxpayer experience with appropriate safeguards.

Finally, the Government acknowledges the mixed respondent views on harmonisation and, in particular, on the merit of unifying filing and payment dates across taxes and duties. There was more solid support for harmonising the experience of interacting with the tax system for different taxes (for example through a single customer account). Any potential reforms with the goal of harmonisation will therefore be assessed on their potential to deliver tangible improvements to taxpayer experience and discussed carefully with stakeholders.

## Chapter 5: Using data and information to make tax compliance effortless for the majority

This chapter sought views on how the framework could be reformed to support better use of information and data in tax administration.

### Q15. What key issues do the current legislative provisions relating to the provision and use of data and information present?

3.30. There were 26 responses to this question. The main themes from responses were:

- **Data-sharing within government:** some respondents felt there was scope for better data-sharing between Government departments to improve the taxpayer experience and reduce the scope for errors and data mismatches. Examples included salary information shared between HMRC and DWP for universal credit entitlement, and duplication of information provided to Government through different routes (such as non-financial information held with Companies House, or VAT and Transfer Pricing documentation that is provided separately to HMRC).
- **Identifying taxpayers:** several respondents noted the lack of a single identifier for taxpayers (used both within and outside HMRC) made data-matching trickier, as there was currently no robust, high-integrity taxpayer identifier to match large volumes of third-party data accurately and quickly to tax records. There was support for the OTS<sup>3</sup> recommendation to explore this further.
- **Record-keeping and time limits:** a small number of respondents highlighted the mismatch between record-keeping requirements and time limits for compliance checks, claims and elections. Taxpayers are generally not required to retain statutory records for as long a time period as the tax years are open (for example, non-self-employed individuals could destroy records after 22 months but make claims up to 4 years after the end of the tax year). Current legislation<sup>4</sup> provides for a £3,000 penalty where a taxpayer fails to keep records to make a complete return for the relevant period. In practice, error penalties provided for by *Finance Act 2007, Schedule 24* seemed to be used instead. HMRC could consider whether to amend or remove this penalty if it is obsolete.
- **Sequencing of reform and HMRC's approach:** before the collection of further data was considered, several respondents felt more work was needed to build confidence in existing processes. Data-matching was not perfect, and errors were not always dealt with satisfactorily. More broadly, there was a perception that HMRC often acted on the assumption the taxpayer had made an error, rather than exploring the possibility that HMRC itself had made a mistake, or an innocent error had crept into the process.

### Q16. What benefits of the current legislation should be preserved?

3.31. There were 17 responses to this question. The main themes from responses were:

- **Digital tax accounts:** respondents were in favour of preserving the current pre-population of data (PAYE, for example) into Personal Tax Accounts. Some

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<sup>3</sup> Office of Tax Simplification, [Making better use of third party data: A vision for the future](#), 2 July 2021

<sup>4</sup> *Taxes Management Act 1970, S12B(5)*

highlighted that the two-way Application Programming Interface (API) used for MTD should be extended to work across all taxes and duties.

- **Taxpayer safeguards:** there was strong support for maintaining the rights and safeguards for taxpayers over their own personal information. Respondents stressed that any improvements must incorporate adequate 'firewalls' to protect taxpayer information from all forms of unintended and improper disclosure.

The majority of respondents stressed the need to preserve a taxpayer's right to appoint an agent and for that agent to have access to all the information and services available to the individual or business.

- **Taxpayer responsibilities:** some respondents felt that taxpayers needed to retain certain responsibilities even if a future tax system relied more heavily on third-party data. This needed to be coupled with a continued right to appeal against a decision and an ability to correct information held by HMRC even if provided by a third party. There was recognition that an increasingly automated tax administration system would need to establish clear responsibilities for the various parties involved (HMRC, taxpayers, agents, third parties, software providers) and that this would not be an easy task.

### **Q17. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in the area of data and information?**

3.32. There were 25 responses to this question. The main themes from responses were:

- **Use of third-party information:** there was strong support for greater use of third-party information and data. The OTS recommendations on using third-party data to pre-populate tax returns were broadly endorsed. However, this needed to be coupled with safeguards and processes to allow taxpayers and agents to amend errors. Those corrections would also need an audit trail to show who has changed what and why.
- **Responsibilities and accountabilities:** respondents repeated their suggestions made in relation to Q16, regarding clear responsibilities for all parties in the tax system. They also recognised that if third parties were to play a greater role in supporting tax administration, they would need to comply with common standards for data security, and their liability needed to be explicitly clear. Some respondents suggested that consideration should be given to the role of third-party software providers and their responsibilities to the extent that their software is providing certain calculations.
- **Harmonisation:** some respondents identified the potential benefits of greater harmonisation, citing complexity of the existing system and mismatch in record-keeping rules, and time limits for compliance checks, claims and elections.

### **Q18. What principles should govern HMRC's collection, use and onward transmission/sharing of taxpayer data?**

3.33. There were 22 responses to this question. The majority of respondents stated that HMRC should continue to adhere to existing legal obligations around handling taxpayer data and information. For example:



- HMRC should be transparent: taxpayers must be fully informed of the data being collected, the source of the data (including all entities the data passes through), what the data is used for, and, where appropriate, give their consent; and
- data should only be shared with other parties where strictly necessary, and in accordance with GDPR.

Beyond this, respondents suggested a number of features for a reformed tax administration system. These included:

- the type and volume of data requested/required from taxpayers/third parties must be proportionate;
- HMRC should seek to pre-populate wherever possible;
- no paper-based returns or ‘wet signatures’ should feature in a reformed framework (though this was coupled with strong views to continue supporting those who are digitally-excluded);
- data collection should be ‘once and done’; taxpayers should not have to provide data to more than one part of HMRC; and
- taxpayers should have the ability to challenge any data HMRC holds and have it corrected.

3.34. Some respondents suggested rebalancing the emphasis of HMRC’s perceived approach, and to assume at first view that the taxpayer has provided the correct information to HMRC and is being honest (even if third-party information, provided independently, does not match this). More broadly, data should not simply be viewed as a means to ensuring compliance and closing the tax gap; it should be seen as a means of making the taxpayer experience better.

**Q19. What additional safeguards would be needed for taxpayers and third parties if the role of third parties/intermediaries was expanded?**

3.35. There were 19 responses to this question. Many respondents addressed the question of safeguards in response to the previous question (suggesting the principles that should feature in a reformed framework). Respondents favoured a review of the balance of responsibilities between taxpayer and tax authority, in light of the use of pre-population. All parties need to be clear where responsibility lies in the event that an inaccurate figure is reported, with adequate safeguards. Respondents also felt that the transparency and responsibility points of the OTS report should be considered before HMRC started to access a greater range of sources of third-party data.

## Government response to Chapter 5

The Government believes that information, and particularly real-time information, is at the core of an effective and modern tax system, as recognised in [Building a trusted, modern tax administration system](#). HMRC will consider options for reforming information powers, including to make better use of third-party data sources, as a key element of the review's future programme of work.

The Government supports the opportunities that greater use of third-party data present in relation to pre-populating tax returns and will explore this further as part of the review. In doing so, the Government recognises the need to proceed carefully, taking account of how changes could affect other areas of the tax administration framework, the potential administrative burdens changes may create, and the importance of identifying taxpayers accurately to facilitate data matching. The Government also supports the principle raised by respondents that taxpayers should have a right to correct mistakes in third-party data.

Alongside a broader review, the Government is learning from the support it put in place at the outset of the COVID-19 pandemic and considering how it can make better use of data to improve its understanding of taxpayers. The Government plans to engage further with stakeholders on how new and improved sources of data, and improvements to the accuracy of data already held, will support the design of services, administration procedures and policies to make it easier to interact with HMRC.

The Government notes the view of some respondents that HMRC could improve the use of its existing data, before extending its powers further. The Government recognises the breadth of respondents' views in this area and will ensure these views are considered as part of the further work in this area.

Greater use of real-time information will need to go hand-in-hand with clear responsibilities for HMRC, taxpayers, agents and third parties, with easy-to-understand obligations. HMRC will consider further how these accountabilities and responsibilities may evolve, and how to build these into a reformed framework.

The Government acknowledges respondents' views on legislation relating to record-keeping and time-limits for compliance checks, claims and elections. This review will consider options for alignment, recognising that clear and well-defined requirements for statutory records could promote fairness and enhance certainty for taxpayers.

The Government agrees with respondents that paper-based returns and 'wet signature' requirements should not form a routine part of a reformed framework. In response to the Covid pandemic, HMRC introduced a number of easements in this area, allowing electronic submission for some documents still required in hard copy format, where the security risks for taxpayers and HMRC were deemed to be acceptably low. Many of these easements are being adopted as business as usual, and work will also continue to consider wider use of electronic communication with taxpayers.

## Chapter 6: Tax payments and repayments

3.36. This chapter of the call for evidence considered the various obligations, processes and timelines that determine when and how tax is paid to HMRC and when HMRC makes payments and repayments. It noted that these vary considerably between tax regimes and in the way that they apply to different taxpayers, businesses and sectors. It asked for views on how the payments and repayments systems could be simplified to allow both customers and HMRC to meet their obligations with ease.

### Q20. What key issues do the current legislative provisions relating to payments present?

3.37. There were 24 responses to this question. The main themes from responses were:

- **Taxpayer experience:** the majority of responses noted that HMRC should focus on taxpayer experience and ensure that any changes made it easier for taxpayers to make payments to HMRC and to claim repayments. Some respondents felt that difficulties with payments and repayments were due to issues with HMRC's systems and processes, rather than the legal framework. Some respondents felt that checks on repayments could be timelier.
- **Payment Allocation:** Taxpayers sometimes struggle to establish which liability a payment has been allocated to and to balance payments and repayments of different taxes, so the taxpayer has to separately request a repayment of one tax at the same time as making a payment of another. Many respondents want to see all their liabilities in one place as well as see any upcoming liabilities.
- **Harmonisation:** most respondents were not supportive of harmonising payment dates and frequencies, citing the potential to create cash-flow issues for businesses without a tangible benefit for many taxpayers. There was greater support for harmonising payment processes across different taxes and duties and creating a more common taxpayer experience for paying taxes.

### Q21. Are there any particular benefits of the current legislation that should be preserved?

3.38. There were 14 responses to this question. The main themes from responses were:

- **Flexibility:** the majority of respondents agreed that the current flexibility offered by HMRC in allowing different payment arrangements should be continued. For example, some taxpayers were happy to pay their Income Tax Self-Assessment liability at the end of the tax year while others preferred to pay monthly using a Budget Payment Plan.
- **Payment dates:** some respondents commented on payment dates, and most felt that the staggering of deadlines and dates should remain as they make it easier for businesses to manage their taxes and maintain cashflow.

3.39. Several respondents emphasised the importance of using actual figures in payment calculations, as opposed to estimates based on liabilities in previous tax years.

### Q22. What benefits could a single/reduced set of payment rules, applied across the taxes, bring?

3.40. There were 25 responses to this question. The main themes from responses were:

- **Harmonisation:** most respondents echoed similar concerns regarding harmonisation as to Q20: specifically, the potential administrative burdens and cashflow issues that could result.
- **Transparency and compliance:** some respondents suggested that unrepresented taxpayers miss payment dates because they forget about them or do not know when they are, rather than deliberately attempting to delay payment. A clear presentation, and better promotion, of when payments are due would therefore be more beneficial than a single set of payment rules.

A few respondents repeated the points they made in response to Q21, in relation to the importance of flexibility in payment.

### **Q23. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform in relation to payments?**

- 3.41. There were 23 responses to this question. The majority of respondents did not feel legislative change to payments or repayments was a priority. The review should focus on making payments and repayments as simple and transparent as possible. Any future reform should preserve taxpayer flexibility and incorporate a sufficient transitional period for taxpayers, agents and businesses to prepare for change.
- 3.42. Some respondents felt that HMRC should consider how the framework’s handling of payments and repayments could better support the flexibility in the way people work and earn income in the future: for example, ‘gig’ economy workers should have different options to sole traders.
- 3.43. Some respondents emphasised that agents should be permitted a clearer view of their clients’ information in order to provide better support to them.

#### **Government response to Chapter 6**

The Government understands that taxpayers may struggle to make payments for a number of reasons. At Spring Budget 2021, HMRC received funding to enhance and improve the Budget Payment Plan, which allows taxpayers to put aside money towards their next Income Tax Self-Assessment bill. This enhancement will include the introduction of a self-service application process, improvements to guidance, and raising the service’s prominence online.

The Government notes the responses received on common payment dates and frequencies. This review will consider options to improve transparency for taxpayers, such as a single view of liabilities, or payments calendar. HMRC will also be exploring ways of improving the accuracy of in-year tax liability calculations. A Summary of Responses on timely payment is being published alongside this document and outlines the next steps for this work.

Repayments, and taxpayer awareness of what they are entitled to claim, was a common theme in responses to the call for evidence. This review will consider the guidance that many customers use and the processes for repayment claims to see how they can be improved.

The Government recognises that interactions with HMRC staff play an important role in shaping taxpayers’ experiences of tax administration. This applies not just to the payment and repayment themes discussed in this chapter, but all aspects of taxpayers’

interactions covered throughout this Summary of Responses. The [HMRC Charter](#) sets out the service standards and behaviours that customers should expect from HMRC. HMRC's [Customer Experience Committee](#) oversees delivery of the Charter and challenges HMRC on improving customer experience. The Committee produces the [HMRC Charter Annual Report](#), on behalf of the Commissioners, and has focussed on three priorities for 2021/2022:

- ensuring customer experience remains at the forefront of HMRC's transformation activities
- improving the way HMRC communicates with customers
- continuing efforts to embed the Charter standards and build capability across the department.

HMRC will continue to develop and roll out learning to ensure its workforce is aware of the Charter, knows how to use it in day-to-day work, and has the skills needed to deliver it.

## Chapter 7: Building in effective methods of verification, sanctions and safeguards to promote compliance

- 3.44. This chapter sought respondents' views on how HMRC's powers and safeguards, and taxpayers' rights and obligations to ensure compliance might need to evolve as part of the Government's 10-year tax administration strategy, and the types of sanctions and safeguards necessary for a modern, digital, real-time tax system.
- 3.45. The responses to these questions progress this review's commitment to consider what further work on powers and safeguards should be taken forward following the [evaluation of HMRC's implementation of powers, obligations and safeguards](#) introduced since 2012.

### Q24. What key issues do the current legislative provisions relating to powers, sanctions and safeguards present?

### Q25. What benefits of the current legislation should be preserved?

- 3.46. There were 28 responses to question 24 and 19 responses to question 25. These questions have been combined as respondents often considered similar themes. The main themes from responses were:
- **Existing principles and approach:** the majority of respondents underlined support for a proportionate framework which recognised that most taxpayers seek to pay the right tax, and which ensured HMRC's response to non-compliance considered the taxpayer's behaviour. Several cited the complexity of the tax system as a barrier to making compliance effortless for the majority.  
  
Some respondents felt that HMRC's powers, taxpayer rights and obligations and all the associated safeguards should be reviewed. Several noted concerns that successive reforms had tilted the balance in HMRC's favour, while others felt that the burden on taxpayers and agents had grown over time. Several respondents noted specific asymmetries that could contribute to a perception the tax administration framework is unfair, including:
    - HMRC's **power to raise assessments of additional tax** due up to 20 years ago where tax was deliberately underpaid, while taxpayers may generally correct claims for losses or reliefs going back four years;
    - HMRC's **power to require taxpayers to provide information** by a set deadline, while taxpayers do not have an equivalent right to compel HMRC to progress their enquiry more quickly (though they can request the tribunal require HMRC issue a closure notice); and
    - the **interest rates on tax debts** owed to HMRC are higher than rates on tax refunds HMRC owe to taxpayers – as a result some taxpayers can be charged interest on a debt while being owed an offsetting refund.
  - **Appeals, reviews and dispute resolution:** Overall, taxpayers' right to appeal most of HMRC's decisions was considered to be a strength of the administration framework, as was their right to request a statutory review. Some welcomed the introduction of alternative dispute resolution to resolve areas of disagreement between taxpayers and HMRC. While many felt more could be done to raise

awareness and take-up of these rights, overall respondents felt the review should preserve and build on these existing rights.

Some respondents proposed opportunities to build on these safeguards to help ensure taxpayers can exercise their rights easily, and trust the outcomes following HMRC's intervention are fair. Many responses urged HMRC to clarify when taxpayers can rely on HMRC's guidance, or when HMRC's guidance could contribute to a legitimate expectation.

Some responses cited concerns with the statutory review and alternative dispute resolution procedures, suggesting they may not be perceived as impartial. Others believed that dispute mechanisms may be disproportionately expensive, potentially deterring taxpayers from challenging HMRC decisions. These responses suggested HMRC could review the range of disputes that could be potentially considered by an independent statutory review, alternative dispute resolution and tribunal, and adjust these to ensure it is cheaper and quicker to challenge HMRC's decisions.

Several respondents felt taxpayers' rights to postpone paying certain taxes while an appeal against an HMRC decision is under consideration was a strength and should be applied to other disputes. Others proposed introducing new appeal rights, noting that some of HMRC's decisions (including decisions to issue follower notices in certain tax avoidance disputes and Diverted Profits Tax charging notices) could only be challenged by judicial review.

- **HMRC communications:** Many respondents encouraged HMRC to ensure communications consistently assumed that taxpayers attempted to get their tax right. They believed this would foster an open dialogue and help resolve issues quickly and efficiently. Several felt that the Customer Compliance Manager model illustrated the benefits of this approach, as reflected in feedback to Q2.

Several respondents encouraged HMRC to act promptly to correct non-compliance and help prevent taxpayer debts from accumulating. Others proposed HMRC could do more to facilitate a constructive dialogue, including helping taxpayers understand the reason for an enquiry by setting out the information required and why it is necessary. These respondents also felt HMRC's approach could be perceived as unnecessarily heavy-handed or aggressive, for example when considering the application of penalties, or the point at which a formal information notice should be issued.

Several respondents felt that HMRC's reliance on formal correspondence encouraged both sides in a dispute to entrench their positions rather than proactively engage to find common ground. Respondents proposed closer-to-real-time communications, including by meetings, email, over the phone and, in due course, via secure Digital Tax Accounts. Some noted HMRC has committed to an open and collaborative approach through the Charter and the Litigation and Settlement Strategy.

- **Enquiries:** several respondents felt that HMRC's ability to open only one enquiry into a tax return within a year of submission provided an important safeguard and should be retained. After this deadline, HMRC may use powers to check compliance within the assessing time limits of up to 20 years,

depending on taxpayer behaviour and whether the taxpayer included sufficient information in their tax return. Several respondents suggested that, while the 'white space' (additional comments boxes) in tax returns helps taxpayers to submit an accurate and comprehensive declaration, it is sometimes difficult for them to include enough information to prevent HMRC wrongly concluding income was omitted or understated in the return and raising an assessment.

Some respondents also noted that there is no statutory time limit on enquiries and felt some enquiries could be drawn out unnecessarily as a result. There was also a perception that HMRC resource constraints had a negative impact. Several respondents questioned whether a taxpayer's right, in some cases, to request a First-tier Tax Tribunal to instruct HMRC to close an enquiry, and HMRC's power to issue a partial closure notice as discrete issues are resolved, were enough to ensure enquiries are progressed rapidly. Others noted that the taxpayer does not have a right to require HMRC to close a compliance check.

- **Sanctions and penalties for non-compliance:** there was a consensus among respondents that sanctions for non-compliance should be proportionate, ensuring those taxpayers who try to get things right should receive support, while tougher sanctions should be used to deter those who deliberately pay less than they should or are repeatedly non-compliant. While automatic penalties may be appropriate in some circumstances, automatic penalties should be subject to appropriate oversight and exemptions to help ensure interventions are proportionate.

Some respondents noted that penalties for Failing to Correct offshore non-compliance do not distinguish by behaviour (though there is an exemption for those who have a reasonable excuse) and felt some taxpayers had received disproportionate penalties as a result.<sup>5</sup> Several respondents suggested HMRC could strike a better balance between overall consistency and proportionality in individual cases, when considering whether taxpayers had taken reasonable care or had a reasonable excuse for non-compliance. Some proposed that more could be done to help raise awareness of reasonable excuse, building on HMRC's Powers and Safeguards Evaluation commitment.<sup>6</sup> Several respondents felt penalties for failing to submit a return when no tax is due are unfair.

Several respondents felt that suspended penalties encourage taxpayers to return to compliance. However, some noted HMRC can be reluctant to agree suspensions.

Across responses there was broad agreement that penalties could be simplified, though one respondent noted the UK's civil penalties for tax non-compliance were relatively coherent compared to other jurisdictions. Sanctions for offshore

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<sup>5</sup> The Requirement to Correct required those with existing offshore tax non-compliance (relating to Income Tax, Capital Gains Tax or Inheritance Tax for the relevant periods) to disclose relevant information to HMRC on or before 30 September 2018 (or another agreed deadline). Those who failed to correct in time faced penalties of up to 200% of the tax due.

<sup>6</sup> As part of the Evaluation of HMRC's implementation of powers, obligations and safeguards introduced since 2012, published in February 2021, commitment 16 included an action for HMRC to review and update guidance to clarify the range of factors that may contribute to reasonable excuse, taking account of an individual's personal circumstances. This updated guidance takes into account contributions from external representative bodies and was published in September 2021.



tax evasion were highlighted as particularly complex. Several respondents raised concerns that this complexity could erode the deterrent effect of these sanctions, while others felt well-intentioned taxpayers may not understand their rights and receive sanctions inappropriately as a result.

Several respondents recommended consolidating sanctions for non-compliance in a single piece of legislation.

Several respondents recommended the Managing Serious Defaulters programme be reviewed.<sup>7</sup> Another proposed that criminal sanctions for tax evasion should be reviewed and modernised, adding that HMRC should consider how civil and criminal sanctions are used to create an optimal deterrent.

- **Disclosures:** there were mixed views on whether HMRC's current approach incentivised full and voluntary disclosures. Some felt reforms had improved the process for voluntary disclosures, providing clarity and safeguards for those who came forward voluntarily and made a full disclosure, and others felt the process was usually efficient and effective. However, HMRC's digital disclosure services limited the information taxpayers can provide, making complex declarations difficult to submit and finalise. One respondent suggested awareness of HMRC's disclosure facilities was relatively low, and it was sometimes difficult to know which facility should be used.
- **Use of discretion:** Several respondents felt HMRC's power to use discretion provided an important safeguard in certain circumstances, including providing soft landings for new regimes, and concessionary backdating of policy reversals, for example where the tribunal determines HMRC's interpretation of the law is incorrect. Some felt HMRC could ensure fair outcomes by ensuring policy reversals apply prospectively, and taxpayers be able to correct claims going back more years.
- **Role of third parties:** several respondents encouraged HMRC to do more to integrate third parties into the framework.

Some proposed HMRC's systems should allow taxpayers to authorise agents to act on their behalf more easily. However, others cautioned some agents could take advantage of these authorisations (for example, High Volume Repayment Agents) and illustrated the trade-offs of agent authorisations, noting that, while many find these services helpful, taxpayers remain responsible for ensuring claims are accurate even where they are unaware the agent has submitted an inflated claim for a tax refund on their behalf.

One respondent also noted some taxpayers may be misled by incorrect, negligent or unscrupulous advice and proposed that more could be done to protect taxpayers who inadvertently enter non-compliant arrangements. Another respondent noted it can be difficult for taxpayers to hold third parties to account for mistakes, including inaccurate data and other compliance failures.

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<sup>7</sup> HMRC manages those who deliberately do not pay tax, and pay corresponding penalties or are prosecuted as a result, through the Managing Serious Defaulters (MSD) programme. Those in scope of the programme are subject to enhanced supervision, reflecting the nature of the discrepancy.

**Q26. What likely changes and developments will the framework need to handle? What are the key priorities for framework reform to support taxpayers to get their tax right and deter non-compliance?**

3.47. There were 22 responses to this question. The main themes from responses were:

- **Digital reform and support for taxpayers:** there was broad consensus that the framework should continue to support those who try to get things right first time. Some noted guidance could be improved to help taxpayers. Several suggested closer-to-real-time reporting, through MTD, would facilitate helpful prompts, and could drive earlier discussions between taxpayers and HMRC to check data and correct errors. Some respondents proposed that taxpayers could submit claims and elections through their quarterly reports, and HMRC could check these in closer-to-real-time. Others said the tax system should continue to minimise burdens on business and accommodate those who need digital assistance.

There was also broad agreement that HMRC's response to non-compliance should continue to be proportionate, helping those who are generally compliant using prompts and support before applying penalties, while reserving higher penalties for cases of genuine, deliberate non-compliance.

- **Social and economic changes:** some respondents recommended the framework be prepared to handle a range of emerging trends that could increase complexity and novelty in the economy, including deepening globalisation, new technologies and new ways of working.
- **The evolving role of agents, intermediaries and third parties:** several respondents commented on the risks and opportunities increased reliance on third parties brings to tax administration. There was a concern that taxpayers' leverage over these third parties would be limited. These respondents suggested HMRC should be responsible for checking data accuracy and correcting errors.

Other respondents encouraged HMRC to fully integrate agents into the framework, helping them act on behalf of their client seamlessly.

**Q27. What principles should govern HMRC powers, sanctions, and safeguards, to build trust in the tax system?**

3.48. There were 24 responses to this question. The majority of respondents emphasised that HMRC's approach should continue to be tailored to taxpayer behaviour, recognising whether errors are due to genuine mistakes, negligence or deliberate non-compliance. Several respondents signposted HMRC to principles their organisations had published themselves, while others endorsed the principles that underpinned the 2005-12 review of HMRC's powers, deterrents and safeguards.<sup>8</sup>

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<sup>8</sup> The Review of HMRC's Powers, Deterrents and Safeguards ran from 2005 to 2012. It was a programme of consultation and legislative change to provide a modern framework of law and practice for tax administration. Its aim was to secure the benefits of the merger of HM Customs and Excise and the Inland Revenue by aligning powers, deterrents and safeguards across the taxes and duties administered by HMRC, where it made sense to do so. An overview of the Review, with links to complementary consultations, is available here: <https://webarchive.nationalarchives.gov.uk/http://www.hmrc.gov.uk/about/powers-appeal.htm>

- 3.49. Several respondents felt more could be done to help reassure the public that HMRC applies powers consistently and proportionately, taking individual circumstances into account.
- 3.50. Respondents suggested a range of actions they felt could help demonstrate HMRC's approach is proportionate and consistent, including:
- **improving guidance** including publishing case studies illustrating the correct tax due on complex arrangements;
  - ensuring taxpayers perceive HMRC's approach to be open and collaborative, **proactively offering assistance** rather than issuing penalties; monitoring whether the points-based approach to late filing and late payment penalties encourages compliance and, if so, exploring extending the points-based regime to other taxes;
  - ensuring those responsible for non-compliance, including third parties such as employers and other intermediaries, are held accountable;
  - **applying the same interest rates** for over-paid and under-paid tax; and
  - **providing additional help** where appropriate, building on HMRC's Extra Support team, and funding for charities to provide impartial advice.

**Q28. How should the framework maintain consistency and fairness between taxpayers and groups of taxpayers, while also providing HMRC with appropriate discretion to enable them to take account of individual taxpayers' circumstances and wider concepts of fairness?**

3.51. There were 19 responses to this question. The main themes from responses were:

- **Use of discretion:** many respondents agreed that HMRC's discretion to tailor its approach to individual circumstances, ensuring interventions were proportionate and consistent, was key to building trust. Some respondents highlighted areas where they felt HMRC's approach could be perceived as unfair, including the balance of compliance checks between lower- and higher-income taxpayers.

Some proposed HMRC publish guidance illustrating how discretion would be applied in specific circumstances (for example, during a bereavement) to help demonstrate a consistent approach. Several respondents proposed better training for HMRC's caseworkers in applying discretion, including taking into account commercial factors and when ignorance of the law could help constitute a reasonable excuse.

- **Consistency:** some respondents felt more could be done to reassure taxpayers that they are treated consistently when HMRC considers whether they have taken reasonable care, or have a reasonable excuse for non-compliance. Several respondents questioned whether safeguards could be strengthened for taxpayers that follow HMRC's guidance.
- **Transparency:** there was broad agreement between respondents that greater transparency could help reassure taxpayers that they are being treated fairly. This could include publishing more data on HMRC's activities, including the

effectiveness of specific programmes such as the Managing Serious Defaulters programme.

### **Government response to Chapter 7**

The Government recognises that respondents called for a number of reforms to legislation and HMRC's operational approach to ensure fair and consistent treatment of taxpayers, and to improve trust. HMRC's aim is to ensure taxpayers understand their rights and obligations, and that HMRC approaches every case with professionalism, respect and consideration of taxpayers' individual circumstances. This requires careful and considered judgements to ensure HMRC's decisions are both consistent across the taxpaying population and proportionate in view of those individual circumstances. Where HMRC believes that a taxpayer has not provided full and accurate information, or has paid less tax than they should, HMRC investigates the circumstances in which the issue arose and considers a taxpayer's specific behaviour and actions as part of any decision to apply sanctions.

Similar concerns about HMRC's operational approach were also raised during the '*Evaluation of HMRC's implementation of powers, obligations and safeguards introduced since 2012*'. HMRC continues to take forward the 21 commitments made in response to that Evaluation, the report of which was published earlier this year. These include continuing to raise awareness of the HMRC Charter, which sets out the standards that the public can expect when dealing with HMRC, and continuing to improve technical tax and core compliance capabilities so that HMRC's officers have the resources, skills and capability to meet those standards. HMRC's Customer Experience Committee is monitoring progress, and the Charter Annual Report<sup>9</sup>, which assesses HMRC's performance against the Charter, was published in November.

The Government notes stakeholders' views, including in the following areas:

- **digital reform and pro-active support for taxpayers who are trying to get their tax right** – MTD for Income Tax Self-Assessment will help businesses reduce common errors in their tax affairs and enable better customer interaction and guidance through digital prompts and nudges. These will support taxpayers to get things right first time, preventing errors that may have otherwise led to a penalty, and signpost taxpayers to reliefs and allowances that they may be eligible for;
- **proportionate sanctions that take into account taxpayer behaviour, with tougher sanctions for deliberate and repeat offenders**. The new points-based penalty regime being introduced for VAT and Income Tax Self-Assessment customers is designed to be proportionate, penalising only the small minority who persistently miss their submission obligations, rather than those who occasionally miss the deadline. The Government is considering the future expansion of the points-based regime to other taxes; and
- **improved guidance** – HMRC is working with the Guidance Forum to inform its strategic priorities for guidance improvements, including the further use of interactive decision-based guidance and online videos, and collaborating with external experts to help make HMRC's guidance as useful as possible. In

<sup>9</sup> [HMRC Charter annual report: April 2020 to March 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/92822/hmrc-charter-annual-report-2020-21.pdf)

addition, as set out in the update on the Review of Tax Administration for Large Businesses published alongside this document, the Government is providing additional resources for HMRC to develop new practical Guidelines for Compliance and improved technical guidance for businesses.

The Government notes respondents' views that tax administration reform should aim to give taxpayers greater certainty more quickly, provide opportunities to challenge HMRC's decisions more easily, and make the sanctions regime simpler. Such proposals would require amending the legislation underpinning HMRC's powers, taxpayers' obligations, and the corresponding rights and safeguards, as well as guidance and/or HMRC's operational approach to addressing non-compliance. Recognising the need to balance trust, consistency and fairness alongside HMRC effectiveness, the Government will explore opportunities to deliver balanced, sustainable improvements to the framework, carefully assessing the impacts of any reforms as part of this review.

HMRC will also consider feedback from this call for evidence as part of wider work to improve tax administration. This includes raising awareness of taxpayers' rights, including the right to seek an impartial statutory review, as well as work to raise standards in the tax advice market.

## Chapter 8: Further Suggestions

3.52. This chapter asked for any further ideas from respondents on how the tax system could be reformed to create a trusted, modern tax administration system.

### Q29. Are there any further suggestions that you have for how the Tax Administration Framework could be reformed?

3.53. There were 14 responses to this question. The main themes from responses were:

- **Opportunities from this review:** some respondents noted the potential for this review to be ambitious and demonstrate ‘blue-sky thinking’, and that the review’s plans were *forward-looking and innovative*. There is an opportunity, given the age of some of the underlying legislation, to challenge existing conventions and start again. This could include moving the tax year to align with the calendar year, harmonising registration processes across all taxes and duties, and making greater use of withholding.
- **Approach to this review:** the importance of an incremental approach, with appropriate lead times for changes, was emphasised by some respondents.
- **Digital reform – opportunities and challenges:** some respondents supported increased digitisation of the tax administration framework, provided that any transitional costs were proportionate to the taxpayer benefit. A single digital system could allow taxpayers to access the required forms, submit requests and track progress, reducing reliance on paper-based processes.

Other respondents noted that it was critical for HMRC to continue investing in staff and training to support those taxpayers who are not easily able to engage digitally, and ensure these individuals are not ‘designed out’ of compliance.

- **Charities and the voluntary sector:** some respondents noted that the review could consider some of the challenges faced by charities and the voluntary sector. Data-sharing between charity regulators and HMRC could be improved: for example, information on the formation of new charities could be used to ensure those charities were informed of their tax responsibilities at the earliest stage. Another respondent recommended an overhaul of the Gift Aid guidance, and the process for the approval of certain loans and investments by charities could be simplified.

3.54. One respondent noted a need for the review to engage with a broad range of stakeholders and representatives, citing the challenges faced by community clubs and club treasurers. Tax administration was seen as imposing significant burdens on volunteers with limited resources and skills; consideration could be given to a simplified approach for smaller entities with turnovers below the current VAT threshold.

3.55. One respondent believed there should be Application Programming Interfaces (APIs) for tax information that could be shared with third parties: for example, allowing taxpayers to make informed decisions and to improve their financial well-being when considering banking products. There could be better journeys for individual taxpayers through third-party software, rather than being required to log in to HMRC or Government systems.

- 3.56. One respondent believed there was an asymmetry in HMRC's approach; for example, HMRC was seen as having quite wide discovery powers and generous time limits for its enquiries, while taxpayers sometimes found reliefs (such as overpayment relief) to be too restricted and difficult to access. The respondent believed HMRC could exercise greater discretion to reduce the barriers to claiming such reliefs.
- 3.57. One respondent was keen to see proposals on how the tax system could be future-proofed and wanted HMRC to hold a consultation on this in future, once the framework review was complete.

### **Government response to Chapter 8**

The Government welcomes stakeholders' support for HMRC's ambitious and open approach to this review. This is an opportunity to examine the fundamental building blocks of the tax system and challenge areas of tax administration that have become entrenched over the last 50 years.

The Government recognises that any changes will have a very wide impact, and so reform needs to be undertaken collaboratively with a wide range of stakeholders. The Government understands the importance of giving individuals and businesses sufficient time to prepare for any future changes to tax administration, and the need to balance the benefits of a modern, digital tax administration system with support for those who cannot easily interact with digital systems.

This call for evidence sought feedback at the outset of this review, providing an opportunity for stakeholders to influence its priorities. HMRC will continue to consider the viewpoints and experiences of a wide and diverse set of stakeholders as the review progresses.

The concept of future-proofing and anticipating future demands of tax administration is embedded in this review and its aims, and HMRC will consider how the legislation, guidance and processes that underpin the tax administration framework could be updated to support this objective.

## 4. Next steps

- 4.1. Since the call for evidence closed on 13 July 2021, HMRC has been considering the evidence provided by respondents, which covers a huge range of themes, spanning all of HMRC's tax administration responsibilities.
- 4.2. The Government will take account of responses to this call for evidence in, considering how best to develop, prioritise and sequence proposals for changes to the framework. HMRC will develop a roadmap for future consultation and analysis, working with stakeholders to ensure this review balances careful, incremental reform with ongoing support for the Government's 10-year vision for the tax system.
- 4.3. Recognising the wide range of affected taxpayers, HMRC will continue to work closely with taxpayers, their representatives and intermediaries, ensuring they are consulted as policy is designed and delivered. HMRC is committed to long-term reform of the tax administration framework and welcomes ongoing feedback and engagement on this topic.



# Annexe A: List of stakeholders consulted

The Government is grateful to the 11 individuals and following organisations who responded to this call for evidence:

100 Group

AICPA/CIMA

All Party Parliamentary Group on Anti-Corruption

Association of British Insurers

Association of Chartered Certified Accountants

Association of Taxation Technicians

Aviva

Business Application Software Developer Association

British Chambers of Commerce

British Universities Finance Director Group

BVRLA

Certified Public Accountants' Association

Charity Tax Group

Chartered Institute of Payroll Professionals

Chartered Institute of Taxation

CLA

Coalition for a Digital Economy

Crowe UK LLP

Deloitte

Global Crime, Justice and Security Research Group

Federation of Small Businesses

Institute of Chartered Accountants in England & Wales

Information Commissioner's Office

Institute of Certified Bookkeepers

Institute of Chartered Accountants of Scotland

Institute of Financial Accountants

Investment & Life Assurance Group

Low Incomes Tax Reform Group  
London Society of Chartered Accountants  
Moore Kingston Smith  
National Farmers' Union  
PwC  
RSM  
Saffery Champness LLP  
SAGE  
Tax Law Review Committee  
Tax Aid/Tax Help for Older People  
UK Finance  
Untied