

## HMRC delays escalate

*The extended wait for refunds is unacceptable, says Justin Stevenson. Here he explains why*

HMRC resources have been understandably spread thinly by the demands of both Brexit and responding to the coronavirus pandemic. For taxpayers, this has most keenly been felt when waiting for a tax refund to be processed.

Sadly, it seems that delays at HMRC may well get worse before they get better. With many taxpayers suffering a drop in profits over the last year, their tax liabilities will have similarly decreased. For those who made payments on account based on their previous year's tax liability and did not make a claim for these to be reduced, this invariably means they will have overpaid tax.

With many likely to be in this position, HMRC will likely be facing an increased volume of repayment claims to process. For those taxpayers who are currently struggling for cashflow, a swift turnaround from HMRC in processing these refunds would no doubt be welcome. Unfortunately, that does not seem to be happening at present.

Under an initiative introduced in 2020, HMRC's individuals and small business compliance (ISBC) (Complex and Agents) unit began issuing credibility check letters in selected return repayment cases to validate the identity of claimants. It was initially assumed by many that these were part of a limited-scope project or campaign, but we have now started to see them reappear.

Moreover, this year HMRC appears to have surpassed itself and extended its remit to informal reviews. A response was provided to a recent credibility check letter, only for HMRC to confirm that although the identity had been verified, the repayment was not being made as HMRC had identified 'potential issues' which once 'reviewed' may result in the repayment being reduced or even additional tax being due. There was no elaboration or explanation, just notice that the taxpayer would be contacted by 31 December 2021 to advise the outcome of the review.

It therefore appears that HMRC, in addition to delaying repayments while it conducts credibility checks, is now further delaying repayments while it conducts what appear to be technical reviews, even where it has verified responses. These latest checks and reviews have slipped in under the radar and are evolving into a non-legislative enquiry mechanism, with HMRC delaying repayments until it is satisfied the claims are valid.

The self-assessment system works on a process-now-check-later basis with HMRC having legislative powers to enquire into a return and, where necessary, make amendments. Perhaps it is time HMRC was reminded of this fact.

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