

## Can't get no satisfaction

*Disguised Remuneration schemes? More like disguised 'customer' service, says Matt Hall*

Since its inception Armadillo has dealt with hundreds of individuals caught up in what HMRC term 'Disguised Remuneration' (DR) schemes. The introduction of the 'loan charge', defeats in [Court](#) and increasing interest rates mean that the majority taxpayers involved in these types of arrangements have tried to settle their affairs with HMRC.

Hundreds of our clients were able to do so before HMRC's self-imposed deadline of 30 September 2020. Many were not. Anyone familiar with that settlement process will recognise innumerable and significant HMRC delays (measured in months, not weeks), error and often absurd interpretations of what was affordable.

"We are sorry for the delay in replying to your letter of....." was and remains a templated opening to the vast majority of HMRC issued correspondence. It is the hollowness of apologies.

Revised [settlement terms](#) published on 19 November 2020 laid bare the fact that paying the Loan Charge did nothing to close historic 'open' years and that any benefit of spreading the Loan Charge over three years was illusory for all but those fortunate enough to benefit from HMRC's somewhat surprising (and entirely arbitrary) decision to waive any '[residual tax](#)' for those whose average annual income through DR schemes was lower than £75,000 a year.

The 'residual tax waiver' contrasts starkly with HMRC's choice to pursue pre 9.12.10 loan recipients using a 'discretion' to disapply the entirety of the PAYE code a decade and more later using s684(7a) ITEPA 2003 – a power governed solely by HMRC's own internal, unpublished, [guidance](#) – despite the findings of the [Morse Review](#). Such is the breadth of that power, it renders the Loan Charge wholly unnecessary.

### **Once more unto the breach...**

Despite being stymied in previous attempts to settle many of our clients continue to try, but are once more met with an approach from HMRC that some describe as a bin-fire. Figuratively and perhaps literally. HMRC has decided the best way to deal with those who faced long delays for little progress is to pretend that nothing went before.

Taxpayers (I refuse to call them 'customers') are asked to revert back to the beginning: to complete HMRC's online settlement information questionnaire and to supply, for the umpteenth time, information which HMRC has long held.

Taxpayers trying once more to settle their affairs are dealt with, eventually, by disparate HMRC departments retreating into their own silos. Taxpayers who received loans both before and after 9 December 2010, plus APNs, have to deal with at least three different departments of the same organisation, none of whom seem to be able or willing to speak to each other. Taxpayers within the Loan Charge can settle those years with one department, but will need to deal with another for their 'pre-DR' years – plus a third if they have APNs.

God forbid a taxpayer might simply wish to know how much is owed to HMRC and to agree a suitable payment plan for the totality of the debt. It is increasingly impossible. “Not my job”.

Is this, as I have long thought, caused by administrative incompetence; by HMRC focusing on what makes its job easier, not on what taxpayers need; or something more deliberate? We have a number of clients who believe that HMRC delays are deliberate at a time when interest on late paid tax is 7.75%.

### **‘Customer’ service**

In [March 2023 the ten leading representative bodies of our profession](#) criticised “severe delays, business disruption and frustration when dealing with HMRC, which is having significant ramifications for taxpayers, business owners and their agents”, and called on Government to “prioritise investment in HMRC service levels”. In my previous article, I argued that the issue was not one of investment but management. Nothing in the intervening period suggests we can expect improvement soon.

### **A summer of discontent**

Despite existing concerns over service levels, HMRC closed their Self-Assessment helpline (0300 200 3310) between 12 June and 3 September 2023. That decision was roundly criticised, not least by the Treasury Committee.

HMRC’s response to that criticism was equally unsatisfactory. Harriett Baldwin MP, Chair of the Treasury Committee, said: “I am disappointed by the lack of detail and transparency displayed by the leadership of HMRC in response to my questions on the summer closure of an important taxpayer helpline. There is clearly a lack of clarity over the impact this decision will have on taxpayers. This simply isn’t good enough.

“These decisions should not be taken in haste and with no consultation, and as a Committee, we will be keeping a close eye on developments in this area.”

HMRC’s own annual report and accounts had already highlighted that it did not meet its own customer service standards in 2022/23.

The [ICAEW reported](#) that ‘customer’ satisfaction dropped to 79%, from 82% in 2021/22. While customer correspondence cleared within 15 and 40 working days showed significant improvements compared with 2021/22, they still fell short of targets. Telephony performance also declined.

The annual report revealed the following:

	2022/23	2021/22
Customer satisfaction	79% (target 80%)	82%

Customer correspondence cleared within 15 working days	73% (target 80%)	46%
Customer correspondence cleared within 40 working days	89% (target 95%)	64%
Net easy score	+60 (target +70)	+66
Telephones: adviser attempts handled	71% (target 85%)	77%
Telephones: average speed of answer	16 minutes (no target)	12 minutes
Telephones: callers waiting for more than 10 minutes	63% (no target)	46%

On 19 September 2023, the Chartered Institute of Taxation published the results of its own survey of members.

The [survey](#) found widespread dissatisfaction with HMRC service levels among both tax agents and taxpayers. A majority of respondents said that poor service levels make it harder to do business, and doubt improvements will be made in the coming year.

Some of the key findings are likely to surprise no-one that deals with HMRC on a daily basis:

- 94% of respondents were either 'somewhat' or 'extremely' dissatisfied with HMRC's service levels.
- 96% were 'not very' or 'not at all' confident that these will significantly improve over the next 12 months.
- 95% said that poor service levels have a 'moderate' or 'significant' negative impact on the ability to do business.

Are these issues of investment or management? In my own experience, in my field, it is the latter. I challenge anyone (but HMRC) to think of a way in which the 'Disguised Remuneration' settlement process could be made worse. It is inefficient, error ridden, accountability free and HMRC, not 'customer', focused. That taxpayers had to go through the process once only to be frustrated by HMRC was bad

enough. To be pushed back down the snake to the bottom after spending years climbing unnecessarily slippery ladders is an unnecessary insult.

Taxpayers are no more 'customers' of HMRC than a kidnap victim is their captors' guest. Rather than impose [standards for tax agents](#), HMRC should sort its own house out.

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