

‘Baseless’ concerns – or not?

HMRC needs to take a long, hard look at how it manages the nation’s tax affairs and how it deals with taxpayers, says Tony Margaritelli

I think I can safely say that HMRC have not had a good time of it lately. We’ve had blistering reports from the Public Accounts Committee and the National Audit Office and, of course, we had the conclusion of the annual filing deadline hiatus and all in the past month or so.

What was HMRC’s response? Well, basically nothing much, other than denials and choosing to ignore the obvious and focus on anything that could be construed as good from their standpoint.

Let’s start with the 31 January filing deadline. Around 4,400 people filed their tax return on Christmas Day, around 40,000 people filed it over the three-day holiday period, with a staggering 732,498 returns filed on 31 January. On 3 January HMRC announced that nearly 5.5million returns still needed to be filed, which is getting on for HALF of the 12 million expected for the year. And then we get the announcement that 1.1million failed to file on time, close to 10%. Now, discounting the obvious ‘nice little earner’ comments, these figures highlight that by any standard HMRC have failed to make taxpayers recognise that last-minute filing is not a good thing and that the pressure it brings on HMRC staff, agents and taxpayers alike (not for me their ‘customers’) is off the scale.

Given these figures, do we get a modicum of introspection from HMRC? A sorry that maybe we’ve failed the 10%? No, all we get is the standard fare of the 90% filing, ignoring the fact that nearly half were still to file in January. Now we know that each late return is a welcome bonus of £100 to the Exchequer (or as I call it, a starter for 10), assuming they can collect it that is. So with MTD coming up, are we seeing HMRC pushing out the perils of late filings that will quadruple? NO! All we are getting from their spokespeople is how well everything is going and how many accountants are attending webinars and the like. What do they expect us to do – not bother to find out how the new system is to work? There was absolutely not one mention of the amount of fines that late filing will generate, except that there will be no fines in the opening transition period, which is frankly to be expected but it highlights that HMRC put more faith in ‘spin’ than facts.

Early in January, while HMRC were urging taxpayers to file their returns, the Public Accounts Committee (PAC) released their report on HMRC Customer Service and Accounts. Among other things, it said, and I quote: “HMRC’s treatment of taxpayers has damaged trust in the tax system. It cuts off calls after customers have been waiting 70 minutes, without any explanation. It does not provide a callback option. It cannot provide callers with accurate information on expected call waiting times.” And: “HMRC blames the technology of its telephone system for some of these limitations – a system that HMRC procured itself.” And that’s just about the telephones. When it comes to the tax gap, it said: “We are concerned, though, that HMRC is not effectively pursuing older debts. It has estimated it may not be able to collect 45% of established taxpayer liabilities not yet received. In 2023–24, HMRC wrote off £5 billion of debts as uncollectable, an increase from

£3.2 billion in 2022–23.” Check out the report for yourself and see if you agree with Caroline Miskin, Senior Technical Manager – Digital Taxation, ICAEW Tax Faculty, who said: “This latest PAC report makes sobering reading for HMRC”, adding: “PAC does not pull any punches in its assessment that the current state of play is eroding trust in the tax system.” You have to smile at her use of the word ‘sobering’. But, don’t worry, HMRC came up to the plate and took the criticism on the chin and responded in one word from Sir Jim: “Baseless”.

Then, in early February, the National Audit Office released their report on ‘The Administrative Cost of the Tax System’, which includes these snippets: “Enhanced digitalisation has increased revenue but it does not seem to be reducing running costs; customer service performance has declined; and efficiency targets have proved difficult to achieve without compromising services. Compliance staff productivity remains below pre-pandemic levels. Unless HMRC improves there is a risk that lower levels of yield per caseworker could become the norm.” It added: “There is evidence that the tax system is imposing increased administrative burdens on taxpayers and their intermediaries, despite the availability of digital channels.” Or how about this one: “There are too few examples where system changes have considered the cost to taxpayers, or prioritised sufficiently those that will reduce cost.” As regards agents: “Agents and other advisers are a crucial part of the tax system but they are not well-served by HMRC’s digital services currently.”

Now think MTD.

I could go on but I think these two reports highlight quite clearly how bad things are, and I doubt there are many readers who will disagree. But if you follow the press releases and the happy chappies that HMRC have employed on social media you will be under no illusions whatsoever that MTD for SA is going to be a winner – and they don’t mean in terms of late filing revenue, although I’m sure that’s the only guaranteed outcome.

We all appreciate that taxation makes the country work and we all want our country to work and bashing HMRC at every opportunity isn’t always the way to achieve improvements. But unless HMRC are honest with taxpayers and agents and stand up to be counted, and not adopt a mentality that says it’s not as bad as you say, no one will and nothing will improve.

- Tony Margaritelli is the Publisher of HMRC EIP magazine