HMRCSR0012

Written evidence submitted by Hillier Hopkins LLP

Response to the Public Accounts Committee Call for Evidence on the HMRC Standard Report 2022-2023

Hillier Hopkins LLP ("HH") welcomes the opportunity to respond to this call for evidence.
HH is a Top 50 business advisory and accountancy firm with offices in Watford, London and Milton Keynes. It employs over 200 people in various service lines, including accounting, audit and tax.

HHLLP has a large tax team covering personal and corporate taxes as well as the indirect taxes such as Value Added Tax and Customs and Excise duties, Stamp Duty Land Tax and Air Passenger Duty.

In providing its tax services, HH has many opportunities to be in contact with HMRC and to be subject to varying standards of service from that organization.

In our experience, there are few areas of HMRC services that are working efficiently, and the technology solutions are not agile or easy to negotiate. Consequently, our clients find dealing with HMRC via the digital solutions very difficult to do and rely on HH to be able to perform many of their compliance functions on their behalf. This has become much more difficult over the recent years but seems to have worsened since the COVID pandemic.

Difficulties for personal and corporation tax include:

- Requests for Unique Taxpayer References ("UTR") for a non-UK company to file a UK Corporation Tax return. The request for the UTR was submitted on 22 September 2022 but no response has been given by HMRC. This lack of communication means that this client is unable to file its corporation tax return and pay any tax due to HMRC.
- Complaint lodged on 17 August 2023 about a research and development ("R&D") claim for a newly engaged client that had submitted the claim but had no copy had been retained. The R&D Team at HMRC was emailed about this on 23 May 2023 with 5 follow up chasing emails to date and no response. This has led to HH not being able to finalise the tax position for the year ended 31 August 2022, causing stress to the directors of the client and additional fees. To date, the compliant letter has not been responded to.
- UTR not issued when company set up, leading to taxpayer paying its corporation tax late and being fined.
- A personal tax return for the 2021/2022 tax year was submitted electronically and accepted by HMRC on 18 January 2023. It has not been processed by HMRC and this has delayed a substantial refund due to the client (because of a previous error by HMRC's coding team). The client director spent 50 minutes on the phone only to be told that the team will look at it by 22 December 2023 (which will be 48 weeks after it was submitted).
- In a similar case, the return issue won't be looked at until March 2024
- A Capital Gains Tax refund that has been due for repayment since February 2023 and each time it has been chased, the HH staff have been "fobbed off". A complaint letter has been submitted but that has not yet been responded to by HMRC.
- Personal Tax Account ("PTA") login details being deleted if returns not submitted via the PTA for the last 2 years.

- A simple tax calculation for relief on pension contributions was submitted in late April. It has still not been processed despite the recommended wait time being end of June. HMRC has been called up twice to chase and both times all that has been confirmed is that they have it, but nothing has been done with it This is despite the admission by the officer that "We recognise we should have done by now."

When it comes to the indirect taxes, the situation seems to be even worse. Below are some examples:

- Applications for VAT registrations being processed for persons who had not submitted the applications. One was a Synagogue, and another was for a young person who had just left foster care. Even after contact with HMRC to state that the registrations were fraudulent, the registrations remained live, with central assessments and debt management letters being received. This caused much distress for the persons concerned.
- VAT group deregistered in 2020 but returns were still being required until recently.
- VAT registration applications impossible to submit online because the UTR and PAYE details or the personal details of the directors were rejected the system.
- VAT registration rejected because the application had been mistaken for an entity that as already registered for VAT.
- VAT number issued but not going live. This led to the Economic Operator Identification ("EORI") number not being issued, delaying imports.
- VAT number issued but EORI not issued, leading to delays to imports and trade in the UK.
- Application for a bleated VAT registration submitted in January 2023 but rejected in March 2023 because a further information request had not been responded to. Neither HH nor the client had received the request. VAT number was issued on 19 July 2023 but neither HH nor the client received the notification. Once the details were requested, it became apparent that HMRC had issued a VAT return for the period to 30 June 2023, a date that was before the number had been issued.
- Response from an office on a particular case still not received, despite the information being submitted nearly six months ago.
- Customs enquiry which is going to the First Tier Tribunal where information was forwarded to the officer that had a bearing on the validity of the assessment, but no response received.
- Advice sought from HMRC on an adjustment to a customs declaration where the HH member of staff was referred to numerous teams within HMRC before getting an answer.
- Application for Air Passenger Duty ("APD") submitted on 18 May 2023, but certificate not issued until 10 October 2023, despite being chased since August 2023, after the 45-day service level had been exceeded. Registration effective only from May, even though APD due for April 2023. This has led to a cash flow issue for the client and could have led to a non-payment of one month's APD to HMRC.
- No guidance issued about the recovery of input tax relating to the requirement to maintain habitats for 30 years under the Biodiversity Net Gain rules that come into force on 1 November 2023. IN addition, the only guidance about the output tax on the sale of "units" under these rules has been issued by the Department for Environment, Food and Rural Affairs ("DEFRA") but which parts of HMRC have said that it is not reliable.

- First VAT period of an annual accounting year under Making Tax Digital ("MTD") was not opened by HMRC due to an issue with the transition to the MTD platform. Consequently, monthly payments were not determined by HMRC, but we advised out client to make monthly payments of £10,000. HMRC opened the next annual period in early October 2023 (despite many phone calls since March 2023) but also opened a period for 2022 which had already been filed under the old system. No visibility of the return that was file and we were advised to file the return again. Consequently, there are now two returns showing as due for the same 2022 period. HMRC recently submitted a direct debit request for £15,000 now that the return period was open. However, HMRC attempted to take a direct debit payment for £52,000 instead of the £15,000 requested and cannot give a reason why.

Thes issues across the taxes have been replicated elsewhere in the tax community when talking to other agents. Indeed, the Chartered Institute of Tax ("CIOT") issued a survey to its members and to a wider audience. The headline was that 94% of respondents were either "somewhat" or "extremely" dissatisfied with HMRC's service levels. 80% or more of respondents reporting that the poor service levels were impacting:

- Ability to do business.
- Costs of doing business.
- Cash flow/finances.
- Costs of external advice.
- Attitude to tax compliance.
- Trust in the tax system.
- Ability to pay HMRC.
- Ability to obtain a repayment from HMRC.

These responses were not favorable to HMRC and undoubtedly affect the UK's productivity. However, they come as no surprise to the agent community.

Lack of resource seems to be the common theme. In Parliament on 5 September 2023, the Financial Secretary to the Treasury (" FST"), Victoria Atkins MP said *"Just to put it in context, last year HMRC received 38 million telephone calls; around 3 million of those were to do the simplest of tasks, which can be done digitally if at all possible. If we are able to move people on to digital channels, that will free up at least 500 people to help with more complex tax affairs and help the most vulnerable."*

However, the digital solution is not easy to navigate and is frustrating. Whilst these "simplest of tasks" may appear so to HMRC, taxpayers and agents are loathe to contact the various HMRC helplines unless there is no other option for them. HMRC has an app for personal tax which is laudable. However, it is not easily portable if you change device. It is also not easy to navigate and takes several days to update if you have made a payment through it, causing worry about whether the right details have been entered or whether it is a scam (as it links via another site to your bank account).

Online guidance is often hard to find or is out of date. Links within different pieces of guidance often lead taxpayers (and agents) in circles. The number of links that need to be clicked to reach an answer can be bewildering and frustrating, leading to more people giving up and ultimately telephoning the HMRC helplines.

Guidance needs to be presented at many levels. Simple for those that want a quick answer, more detailed for those who want to know why and technical for those (usually agents) that need to know the legal background etc. A one size fits all attempt at guidance does not work.
The trust that agents and taxpayers have in HMRC's IT systems is also an issue. A few examples are below.

- MTD for VAT has “lost” several returns where the system has been migrated.
- The Customs Declaration Service (CDS”) migration from CHIEF last year left many importers without the cash account that made paying duty easier or leaving sums paid into the cash account in limbo somewhere and not available to be drawn down.
- The CDS API for the UK tariff does not always pull through correctly on third party software, making customs declarations more difficult and time consuming.
- The Goods Vehicle Movement System (“GVMS”) regularly rolls over, causing issues at the border for moving goods. One such outage earlier this year lasted 7-10 days and there was a lack of trust in what HMRC publicized as a solution on both sides of the UK/EU border. This led to goods not crossing the channel and held up the flow of goods.

These issues are often not publicised until it becomes blatantly obvious that something is wrong, but HMRC remains in denial. Major issues need to be communicated sooner rather than later to enable trade to continue, and taxes paid.

However, there is a solution that HMRC could use to make things easier and more streamlined. Simply put, it is to trust the agents to carry out some of the functions that HMRC is getting mired down in and which cause delays.

Taking MTD VAT as an example, to submit a VAT return as agent, requires an Agent Services Account (“ASA”) which has a link authorised by the taxpayer to file its returns. To get the ASA, the agent must provide a significant amount of information about the firm or individual. Therefore, HMRC does have oversight on the agent. In addition, most agents are governed by the Professional Conduct in Relation to Tax (“PCRT”) or HMRC’s agent standard devised with agents for those who are not members of the professional bodies that have signed up to the PCRT. If you overlay the fact that most tax agents are required to identify their clients for anti-money-laundering purposes, it builds up a picture of the agent credibility.

For VAT registrations, it is common knowledge that the registration team spends a significant amount of time identifying the taxpayer. However, this is a duplication of effort where the application has been submitted online via the ASA of agents that HMRC already has information on and some degree of sanction against. Therefore, it would seem sensible that HMRC could trust those agents and potentially spot check some of the applications rather than all.

Similarly, for other taxes, where HMRC has a track record of agents’ accurate submissions, it would free up more staff to concentrate on submissions by less reputable or monitored agents.

Another issue for taxpayers and agents is the access an agent has to the Business or Personal Tax Accounts of their clients to be able to resolve those “simplest of questions”. A taxpayer authorises its agent in the mistaken belief that the agent can see everything that the taxpayer can see on his/her dashboard and make amendments. The agent authority works for MTD and there is some visibility over payments made and returns submitted. However, there is no ability to reallocate payments where HMRC has not done so correctly. There is also no way of applying for authorisations for, say customs processes or to see what information the client may need to submit with the application, other than to sit with the client in person or virtually. This contrasts with the agent ability to apply for a VAT registration or to correct VAT return errors on behalf of clients via its ASA.

There were plans to extend the ASA access to be able to do simple tasks for tother taxes, but these appear to have been dropped.

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