

**The All Party Parliamentary Group (APPG), Responsible Tax
Inquiry into public confidence in HM Revenue & Customs' (HMRC)
capability to collect tax fairly and effectively
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 We welcome this opportunity to contribute to this APPG inquiry looking at levels of public confidence and trust in the capability of HMRC to collect tax fairly and effectively.
- 1.2 We agree that trust is difficult to define, but our experience shows that many low-income taxpayers find it hard to trust HMRC, with their views on the Department – rightly or wrongly – being shaped by personal experience, anecdotes of others' experiences and reports in the media.
- 1.3 Particularly damaging to HMRC's reputation in recent weeks are reports of problems arising in tax credits compliance cases sub-contracted to a third party – Concentrix.¹ Debates as to what the underlying cause of the problems were continue, but it is evident from this that HMRC will need to be very careful of similar arrangements in future, not only from the viewpoint of ensuring that customers' experience comes first, but also in terms of the public's perception of HMRC not being tarnished through association. Ultimately, HMRC should remain accountable for delivery of their services, be those delivered internally or sub-contracted.

¹ See our article, for example: <http://www.litrg.org.uk/latest-news/news/160914-light-end-concentrix-tunnel>

- 1.4 Featuring frequently in this submission is HMRC's digital agenda, and our concerns over the pace of change and impacts on low-income taxpayers. While we support HMRC capitalising on the benefits of an increasingly digital world, we are concerned that the impact on many people has been underestimated and that digital capabilities have been overestimated. Getting the digital agenda right – introducing it on a timetable that people have time to adjust to, ensuring there are appropriate exemptions and providing at least as good a service via other channels for those who cannot comply – will form the biggest part of HMRC managing the tax system responsibly over the next few years.
- 1.5 Designing services for people with particular needs, for example those with disabilities, and understanding the barriers they face to engagement with HMRC are vital, particularly in view of the digital agenda which risks exclusion if reasonable adjustments are not made. Working on the '80-20 rule' – designing systems for the majority, then trying to later patch up problems for others (often the most vulnerable) is an approach we have repeatedly pointed out to be inadequate. Far more cost is then involved in sorting out problems 'downstream'.
- 1.6 HMRC could improve efficiency by learning from cases which are overturned or varied, either within its own statutory internal review process or looking at cases decided by the Tribunal.
- 1.7 Risks to HMRC's credibility and service delivery are ever-present and arguably increasing, for example:
 - 1.7.1 Reliance on digital systems means that HMRC must have first class security in place to protect taxpayers' data, and to prevent fraud attacks;
 - 1.7.2 Increased pre-population and automated use of third party data means HMRC need to address concerns over data inaccuracies, and make better use of data it already has such as 'real time information' (RTI) data for Pay As You Earn (PAYE);
 - 1.7.3 There is an apparent failure by HMRC to stand in the shoes of the customer and understand the impact of decisions to leave telephone numbers out of letters, or to discontinue certain formats of forms – disenfranchising many from receiving help or access to services still required;
 - 1.7.4 HMRC are not in control of an essential part of their service delivery – the provision of online information via GOV.UK, which falls under the Government Digital Service (GDS). We recommend this be reviewed;
 - 1.7.5 At the same time as HMRC are seeking to 'Make Tax Digital (MTD) for business', self-employed claimants of Universal Credit (UC) will be expected to report their income regularly to the Department for Work and Pensions (DWP). It cannot be right to expect double reporting of essentially the same thing and it is essential to the credibility of government service delivery as a whole that the two Departments are joined up where there are interactions such as this;

- 1.7.6 There is a continuing trend for HMRC staff to move posts at all-too-regular intervals, resulting in new teams re-treading old ground. This is inefficient and frustrating for stakeholders.
- 1.8 Appropriate compliance action, targeted at the promoters of certain schemes, could help to narrow the tax gap and protect low-income taxpayers who may be unwittingly caught up in the schemes. Care must be taken, however, when using 'narrowing the tax gap' – itself highly subjective – as a key reason for hastily bringing in such significant change as MTD.
- 1.9 Finally, HMRC will arguably never be able to deliver all services that are needed by many low-income and vulnerable taxpayers. It is therefore essential that its customer service strategy includes supporting the tax charities, both to provide tailored information to groups with particular needs and frontline support.

2 About Us

- 2.1 The LITRG is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HMRC and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 General:

- 3.1 ***1. What levels of trust and confidence do the public have in the capability of HMRC to collect tax in an effective and efficient way that:***
- a) preserves and encourages fairness and equity?***
- b) is an efficient use of resources?***

c) provides a first rate customer service?

Customer service – preserving fairness, equity and customer service in a digital world

- 3.1.1 The fast pace of change over recent years within HMRC has been damaging to taxpayers' trust in the Department's ability to provide a first rate customer service. We have seen, for example, the closure of Enquiry Centres, the introduction of an automated 'voice recognition' telephone system, centralisation of HMRC mailing addresses and an ever-increasing 'digital' agenda. All of these things combine to make HMRC seem an ever more faceless, remote and impersonal bureaucracy to the outside world.
- 3.1.2 The digital agenda, whilst being capable of delivering benefits over the years to come, is being rushed. With low awareness levels amongst the general public of HMRC's MTD programme, there is a risk that many will suffer a shock when they find they are mandated not only to transact with HMRC digitally, but also to keep records in a prescribed digital format. This unrealistic timetable for implementation is likely to result in a general loss of confidence in HMRC's ability to manage change effectively.
- 3.1.3 This will be particularly so if there are 'teething problems' with MTD systems – something which many fear to be likely given the short timescale for development and testing of software, and HMRC's shaky history of introducing new IT systems. There persists also a mistrust of HMRC's ability to handle large volumes of data correctly, as we continue to hear from the public, our own volunteers and the separate charities TaxAid¹ and Tax Help for Older People² of inaccurate information on individuals' tax records. This gives rise to a general feeling that HMRC should let the dust settle on other recent changes, such as the introduction of RTI for PAYE, and making sure that is working fully and correctly, before pushing through other significant changes.

Equality impacts

- 3.1.4 Part (a) of this question refers to fairness and equity. In this regard, we would draw attention to **equality** impacts, and the dangers of trust in HMRC being eroded if individuals' needs are not catered for. We are thinking here of those who might have particular needs when engaging with HMRC, for example people with disabilities that present barriers to communicating with HMRC and compliance with their obligations.
- 3.1.5 In this respect, HMRC must always ensure that available methods of engagement meet a wide range of needs and that reasonable adjustments can be made for those who, despite efforts to be generally inclusive, still need to be catered for individually.

¹ TaxAid is a charity helping those on low incomes with tax issues, particularly those in debt. See www.taxaid.org.uk

² Tax Help for Older People is a service run by Tax Volunteers, a charity specialising in assisting older people on low incomes with tax issues. See www.taxvol.org.uk

- 3.1.6 In so doing, HMRC must not 'hide' or fail to promote concessions or alternatives that are provided. For example, Judge Mosedale in the case of *LH Bishop Electric Company Ltd and others v HMRC [2013]*¹ was critical of a telephone-filing facility (for those mandated to file VAT returns electronically but who were struggling to do so because of age, physical disability or remoteness of location), because it was essentially hidden:

'... HMRC wanted to restrict the use of the concessions to those who had no other options.

504. As a matter of public law, this cannot be a satisfactory justification for failing to publish to all taxpayers the availability of a concession. If it is right to offer a concession, then it should be offered to all persons who would be entitled to benefit from it. It should not be limited to those who litigate or who ring the online helpdesk.'²

- 3.1.7 It is clear that with any change, HMRC need to demonstrate that they have considered equality impacts carefully. Trust may be built by continuing to engage with stakeholders and demonstrating that stakeholders' time and input is valued by being properly considered and taken on board.

- 3.1.8 We would also draw attention to the recent (July 2016) report produced by the independent Social Security Advisory Committee (SSAC) on problems with telephony in HMRC for those with disabilities and their recommendations which we endorse.³

3.2 ***2. What can be done to improve the levels of public confidence in HMRC's capability?***

Introducing changes at an appropriate pace

- 3.2.1 Leading on from our above comments, we recommend that the pace of change in the administration of the tax system is slowed down.
- 3.2.2 This may not be entirely within HMRC's control, however, given they are under pressure from Ministers to cut costs and staffing levels. It should be pointed out to Ministers, however, that HMRC's reputation suffers further damage if staff are cut too quickly after changes are implemented. This was illustrated in the effect on HMRC call handling ability when staff numbers were cut due to over-ambitious estimates regarding the rate at which customers would migrate to digital services. The National Audit Office (NAO) have said, for example:

¹ See <http://www.bailii.org/uk/cases/UKFTT/TC/2013/TC02910.html>

² See paras 477-516 of the judgement, the quote being taken from paras 503 and 504.

³ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/538834/telephony-in-dwp-and-hmrc-an-update-op17.pdf

'2.19 HMRC's past experience demonstrates that there are serious risks if major assumptions underpinning its strategy do not prove realistic. For example, achieving HMRC's vision relies on the critical assumption that taxpayers will move over to online services and reduce the demand for telephone and postal services. In the last Parliament, HMRC made over-optimistic assumptions about how much change it could make all at once. To live within its spending plans, it released customer service staff before it had reduced the demand from personal taxpayers for contact by phone. This significantly impaired the quality of its service for some 18 months.'¹

- 3.2.3 We fear that a similar effect could be seen on the introduction of MTD, if staff cuts are made before the system has settled in.

Learning from statutory reviews and case law

- 3.2.4 We also recommend that HMRC learn from cases which are overturned or varied. For example, decision-making on reasonable excuse claims should be more closely aligned with cases decided by the First-tier Tribunal (FTT) and HMRC's own statutory review teams. This might, for example, involve rewriting the official guidance on reasonable excuse to take account of FTT decisions at a more detailed level. It is notable that every year, the Tax Assurance Commissioner reports that statutory review teams vary or overturn well over half of the penalty decisions that come before them, which hardly speaks well of the quality of decision-making in HMRC on such matters.

- 3.2.5 HMRC have a 'Needs Enhanced Support' (NES) service for those struggling to deal with them for various reasons – for example ill-health, bereavement, being in personal debt and other factors that might mean they are 'vulnerable' in some way. Taxpayers might have more confidence in contacting HMRC if they are aware of this service, though we understand that HMRC are loathe to provide direct access to it due to the risk of it being over-subscribed.

Sub-contracting of HMRC's services

- 3.2.6 Clearly, the recent problems highlighted in the media of tax credits compliance cases being poorly handled by HMRC's sub-contractor, Concentrix, throw up a great many issues in terms of restoring and improving the public's confidence in HMRC. Questions are naturally being asked as to the arrangements that were in place between HMRC and Concentrix and there may be 'blame' to be apportioned on both sides. Indeed, it is far from clear whether any of the weaknesses exposed by the service breakdown were unique to the sub-contract arrangement or whether there were intrinsic flaws in the processes and approach shared across HMRC and Concentrix.
- 3.2.7 While it is not our intention to second-guess the outcome of any enquiry into such matters, it is possible to conclude that HMRC will need to take great care to learn from this

¹ <https://www.nao.org.uk/report/her-majestys-revenue-customs-annual-report-and-accounts-2015-16/>

experience and to ensure that any problems are not repeated in future. For example, the independent SSAC recommended in their July 2016 report on HMRC decision making that 'the National Audit Office... should examine the Concentrix contract to ensure that at the same time as providing value for money, it has appropriate safeguards to preserve justice for the claimant.'¹ A lack of justice for the citizen quickly undermines confidence in both the sub-contractor and HMRC themselves, as ultimately the public will take the view that overall responsibility should remain with HMRC.

Working more closely with the Department for Work and Pensions and other benefits providers

- 3.2.8 For those within LITRG's low-income 'constituency', interactions of the tax and tax credits systems with other Government Departments, especially the DWP, must be smooth. Encountering different systems and processes and providing information multiple times can lead to frustration and a loss of credibility both for HMRC and the other government services. In particular, we point out below the potential problems of MTD for the self-employed who are claimants of UC (see para 4.2.5).

Correct use of data, and avoiding mistakes

- 3.2.9 Credibility and reputation is also at risk where HMRC make mistakes – for example with HMRC still getting taxpayers pre-populated state pension figure wrong on their online personal tax account, tax calculation or Self Assessment. Again, this risk increases with the proposal to make more use of third party data, not only from other arms of government, under MTD.²

4 Customer service:

- 4.1 ***3. To what extent does HMRC consider the customer's experience in the allocation of its resources and the services it provides?***

Failure to follow the customer journey and understand difficulties taxpayers might face

- 4.1.1 We have noticed a trend in recent times that indicates the customer's experience is not always given high priority when changes to services are made.
- 4.1.2 For example, there has been a tendency to leave off HMRC's contact telephone number from correspondence, seemingly in an effort to dissuade people from telephoning the

¹ See page 39, SSAC report 'Decision Making and Mandatory Reconsideration'
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/538836/decision-making-and-mandatory-reconsideration-ssac-op18.pdf

² See consultation: <https://www.gov.uk/government/consultations/making-tax-digital-transforming-the-tax-system-through-the-better-use-of-information>

Department.¹ We are particularly concerned that this poses a risk to the general public in that it is very easy to accidentally use a non-official number to call HMRC (by, for example, searching for HMRC's telephone number online via a smartphone and having a call-forwarding advertisement feature first on the results list).²

- 4.1.3 The increased use of so-called 'intelligent' forms also causes problems for some. These can be helpful in that the user only sees questions they need to answer (that is, the form is tailored to them depending on how they answer certain questions). But this does mean that the user cannot see in advance the information they need to gather together to complete the form. As often there is no ability to save or print a partially completed form, people may be frustrated at finding part way through that they need further information and have to start filling the form in from scratch at a later time.³
- 4.1.4 Often these forms are not easy to use for other reasons, for example those with older computer systems perhaps not supporting the latest internet browser versions. However in light of all of this, HMRC have still withdrawn full, downloadable, PDF versions from GOV.UK and insist that if people want a copy then they phone the helpline and request that one be sent to them. We do not think this is helpful to customers.
- 4.1.5 There is a tendency with areas of significant change within HMRC to operate the '80-20 rule' – focussing on achieving a good service for the majority of their customers on the change. Unfortunately, for most of these changes, the most vulnerable customers always seem to fall into the 20% where the problems are sorted out after implementation. We have repeatedly recommended, since LITRG's inception in 1998, that this approach be changed so there is a sense of frustration that it persists.

Online information – GOV.UK

- 4.1.6 Also relevant in this context is that HMRC are not in fact in charge of a major part of their customer service – the delivery of information to taxpayers via the internet. Such information is now delivered – in greatly simplified (in many cases over-simplified) format – by GOV.UK, and we understand that the GDS has final editorial control over HMRC's communications to the public via that website.

¹ One example of this was HMRC's Scottish taxpayer notification letters sent in late 2015.

² See our articles on call recording and call forwarding services, <http://www.litrg.org.uk/latest-news/news/161017-calling-hmrc-%E2%80%93-do-you-really-need-use-paid-recording-service> and <http://www.litrg.org.uk/latest-news/news/160210-don%E2%80%99t-get-caught-out-fake-hmrc-phone-numbers>

³ See for example form P87 – there is no ability to 'click through' different sections of the form in advance: https://public-online.hmrc.gov.uk/lc/content/xfafoms/profiles/forms.html?contentRoot=repository:///Applications/PersonalTax_iForms/1.0/P87&template=P87_en_1.2.3.xdp

4.1.7 It is clear that this new information delivery is not meeting customer need, but HMRC's hands are tied as to how much they can 'consider the customer experience'. This is self evident from our own statistics – since HMRC information was decommissioned in favour of simplified guidance on GOV.UK, our website visitor numbers have increased exponentially. For example, when tax credits information switched from HMRC to GOV.UK in May 2014, our www.revenuebenefits.org.uk (containing detailed tax credits material) visitor numbers jumped from 22,192 (April 2014) to 63,194 (June 2014) and have steadily increased ever since.

4.1.8 We recommend that the GDS/HMRC/GOV.UK relationship is reviewed, with a view to restoring control of its online content to HMRC.

4.2 ***4. Is the HMRC strategy for improving the customer experience fit for purpose?***

4.2.1 If what is meant by this question is 'is HMRC's digital transformation strategy fit for purpose?' then we would argue that it is not, at least not in its entirety.

4.2.2 We understand that HMRC wish to enhance people's experience by making engagement with the Department easier, for example by abolishing the tax return and aiming to make dealing with business taxes a far more seamless process by building it in to day-to-day 'bookkeeping' processes.

4.2.3 These aims are admirable, but we are concerned that they are a stretch too far, at least in the immediate future. They rely on as yet undeveloped, untried and untested software; and also the broad-brush assumption that all people who have a smartphone will be able to 'do digital tax' on it.

4.2.4 We risk sounding unduly negative here. It is not our intention to suggest that the digital agenda is not the right way forward in the medium to longer term. A great many people expect to be able to engage digitally with HMRC, both in terms of filing online and correspondence, and are frustrated that they cannot. We frequently get enquiries from members of the public via our websites¹ thinking we are HMRC and wishing to transact and communicate via email. From this viewpoint, innovations such as HMRC's web chat facility,² now available through certain pages on GOV.UK, are welcome. But a short term agenda of mandating most businesses, even those achieving incomes within the poverty level, does not give adequate consideration to the customer's experience.

4.2.5 This is most evident, perhaps, when we consider claimants of UC. UC claimants are required to report self-employment income on a monthly basis to DWP, and to use the DWP's cash basis of accounting which is not wholly aligned to the tax cash accounting rules. Under the

¹ LITRG has four websites: www.litr.org.uk, www.taxguideforstudents.org.uk, www.disabilitytaxguide.org.uk and www.revenuebenefits.org.uk

² See our article: <http://www.litr.org.uk/latest-news/news/160727-do-you-need-help-tax-credits-new-hmrc-web-chat-service-available>

MTD agenda, such individuals will find themselves reporting income both to HMRC and DWP and potentially using two sets of rules, unless the departments work together to align them. There is also the question for other government departments as to which measure of income they should adopt. For example, local authorities need to understand the incomes of their residents in order to operate concessions for those on low incomes.

- 4.2.6 For this reason, we continue to work to point out where HMRC rules and practices interact with other official rules and processes, and where great improvements could be made through alignment and working together. Any HMRC strategy should always have such cross-government working high on its priority list.

5 Dealing with tax avoidance and evasion:

5.1 5. How effective is HMRC in dealing with

a) aggressive tax avoidance?

b) tax evasion?

- 5.1.1 We only wish to comment on one particular area here – in relation to low-income agency workers who are often caught up in ‘umbrella company’ schemes, some of which sit at the boundary between tax avoidance and evasion but where it seems that there is little evidence in the public domain of HMRC taking action to enforce the law.
- 5.1.2 Despite a change in the law effective from 6 April 2016¹ intended to stop this perceived tax avoidance, we understand that some umbrella company employers are ‘testing’ the definition of ‘relevant salary sacrifice arrangements’² now found in s289A ITEPA 2003 and are continuing to offer reimbursed expenses – by way of a ‘fixed pot model’ whereby money is estimated for expenses, put aside and drawn when the expense is incurred (ie not strictly via salary sacrifice).³ We would have thought that this is against the spirit of the law, if not the actual letter, and so likely to be dealt with by further legislation in due course.

¹ See our explanation in this article: <http://www.litrg.org.uk/latest-news/news/160406-agency-workers-%E2%80%93-new-tax-year-new-troubles>

² Per sub section 5: ‘ “Relevant salary sacrifice arrangements”, in relation to an employee to whom an amount is paid or reimbursed in respect of expenses, means arrangements (whenever made, whether before or after the employment began) under which—

(a) the employee gives up the right to receive an amount of general earnings or specific employment income in return for the payment or reimbursement, or
(b) the amount of other general earnings or specific employment income received by the employee depends on the amount of the payment or reimbursement.’

³ The fixed pot model is explained further here: <http://blog.libertybishop.co.uk/hook-line-and-tax-debt/>

5.1.3 But in terms of effectiveness in dealing with both avoidance and evasion, it is notable that the promoters of these schemes have apparently little fear of HMRC compliance action. We are concerned that this could mean that HMRC are not taking action in this area, properly targeted at the promoters of such schemes.

5.2 ***6. What legislative, resourcing or other measures would help to narrow the tax gap?***

5.2.1 While it is clear that this should be one of HMRC's key objectives, care should be taken when using 'narrowing the tax gap' as a reason for change. For example, the MTD programme has at its heart the intention of narrowing the tax gap, but we think that more thought needs to be given to the potential impacts before it is possible to state clearly that MTD will have such an effect.

5.2.2 The programme could in fact mean that:

- taxpayers do not lose receipts and therefore claim more expenses, so they could be paying less tax than before
- people, feeling that MTD is too great a burden, are tempted into the hidden economy
- some otherwise compliant taxpayers struggle to get to grips with the new system and make errors
- any narrowing of the tax gap itself could be offset by an increased burden of supporting taxpayers with financial and digital assistance to comply – particularly if the exemption is set at its current proposed level of £10,000 annual turnover which we think is far too low.

5.2.3 Great care therefore needs to be taken to weigh up the likelihood of narrowing the tax gap against other wider impacts resulting from proposed changes.

GOV.UK – possible interaction with the tax gap?

5.2.4 As noted above at paras 4.1.6 to 4.1.8, we believe there may be a part to play in giving more control to HMRC over tax-related content on GOV.UK. We understand that there has been an increase in the tax gap due to Self Assessment errors and failure to take reasonable care over the last couple of years.¹ HMRC should investigate how much of this might relate to individuals not having been able to access readily guidance at the more detailed level

¹ Tax gap figures are available here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/561312/HMRC-measuring-tax-gaps-2016.pdf, further to which HMRC gave a more detailed breakdown in a meeting LITRG attended which showed a decrease in the tax gap attributable to PAYE taxpayers, but this was offset due to an increase for Self Assessment taxpayers

previously offered on the HMRC website, but who may have relied in error on what they had read on GOV.UK.

Responsibility for the tax gap

- 5.2.5 Responsibility for reducing the tax gap does of course not rest entirely with HMRC. Parliament is also responsible in terms of ensuring that legislation is passed that is clear and simple so that those who are willing to comply are able to do so, and which aims so far as possible to avoid creating 'loopholes'.

5.3 ***7. Does HMRC make appropriate use of all the powers and opportunities in its toolkit?***

- 5.3.1 As noted above, in exercising its powers, HMRC would do well to learn from the decisions of both their own internal statutory review teams and the tax tribunal.

- 5.3.2 Further, as a consequence of the RTI system for PAYE, HMRC have more information at their fingertips about employees' pay and taxes and employers' payroll functions than ever before. The PAYE Regulations state that the primary liability for deduction and payment of PAYE rests with the employer and it is only if specific conditions are met that HMRC should seek to recover tax from an employee.¹ We believe HMRC could do much more to scrutinise RTI data for potential PAYE operation issues to identify employer error and then cross check the results against individual tax underpayments, prior to the issuance of P800 tax calculations to employees.

6 Staffing and resources:

6.1 ***8. Are HMRC's resources adequate?***

- 6.1.1 See our answer to question 2 above. We believe that much of the problem with the public perception of HMRC at present is due to pressure on HMRC to cut costs and staff numbers, which has resulted in reduced levels of customer service at times. We fear that staff will be cut too quickly as a result of a far too hasty introduction of MTD which will again lead to significant customer service problems. This is as a result of over-estimating taxpayers' digital capabilities and a probable underestimate of the direct support that will be needed as the proposed changes bed in.

6.2 ***9. Is HMRC able to recruit and retain people with appropriate skills, qualifications and experience?***

- 6.2.1 When LITRG staff and volunteers meet with HMRC staff, we find that they are highly professional and sincere. Problems can arise, however, when staff change – all too frequently – and we find ourselves re-establishing relationships and repeating

¹ See Regulation 72 Income Tax (PAYE) Regulations 2003, SI 2003/2682

recommendations. This is unfortunate 'dead time' for both HMRC and stakeholders such as ourselves, and more might perhaps be achieved if efforts are made to retain more 'corporate memory' within the Department – a starting point for which would be to retain staff in post for longer.

6.2.2 There does not seem to be a problem with retaining staff within the Department, however, or at least within the Civil Service. But there does seem to be a culture of staff 'moving on' regularly.

6.2.3 We have also observed a tendency to appoint staff according to their grade, rather than their experience. Whilst we understand the need to offer staff the opportunity to transfer to new roles (be it for motivation, promotion or skills development), often (though not always) it seems that staff could be better briefed when they do move – for example, by ensuring that staff have the technical capability to handle their role, and having a minimum handover period from the post's previous occupant. In roles requiring a certain level of technical ability, putting an indirect tax specialist in a direct tax role, for example, can sometimes appear to be the equivalent of putting a helicopter pilot in the cockpit of a jumbo jet!

6.3 ***10. Within constrained budgets, what could HMRC do to achieve better and more sustainable services?***

Design services for vulnerable taxpayers as a matter of priority

6.3.1 We mentioned the '80-20 rule' in para 4.1.5. In any significant change programme we would like the sorts of customers that we deal with to get priority consideration at the outset of the programme rather than be "tail-end Charlies". There have been many examples, over the years, of substantial costs to HMRC through subsequent re-working, due to not understanding the needs of these groups early enough. This is particularly why, for example, we suggest above that MTD needs to be rolled out much more slowly than is planned – so that its impact can be properly tested and managed to ultimately deliver a sustainable service.

Extend HMRC's Grant in Aid programme, to enable charities to reach those parts of the population that HMRC cannot themselves

6.3.2 One significant and efficient way of aiding low-income taxpayers would be for HMRC to support the tax charities more.

6.3.3 LITRG provides web-based information aimed at low-income taxpayers, including focusing on certain groups with particular needs such as our 'Disability Tax Guide'¹ for those with disabilities who engage carers. This website was originally created and further developed with HMRC funding through their Grant in Aid programme, but it – along with various other aspects of our web-based offerings – is no longer supported by them. With HMRC not having

¹ www.disabilitytaxguide.org.uk

ultimate control over public information on tax and other HMRC-related matters due to this being delivered via GOV.UK (see 4.1.6 to 4.1.8 above), it is simply not possible for HMRC to offer this detailed level of service to those who desperately need it. Funding charitable organisations to fill these gaps is cost-effective, as they are often supported by many hours' of free time donated by dedicated volunteers, expert in their field.

- 6.3.4 Similarly, there will always be vulnerable taxpayers who need independent support. TaxAid and Tax Help for Older People, as previously noted, offer such frontline services. Yet the funding they are receiving from the Grant in Aid programme is being cut dramatically, inevitably meaning that the number of taxpayers they can support will reduce.
- 6.3.5 So while it is better to prevent problems arising in the first place through the better design of services, there will always be the need for the tax charities to support those who need more tailored information and direct handholding that HMRC cannot offer themselves.

LITRG
24 October 2016