



**Low Incomes
Tax Reform
Group.**

A voice for the unrepresented

3 July 2025

Tax Administration Framework Review

HMRC

By email: tafrcompliance@hmrc.gov.uk

Dear Sir or Madam,

LITRG response to HMRC's consultation on improving HMRC's approach to dispute resolution

We are responding to HMRC's consultation seeking views on options for simplifying, modernising and reforming HMRC's approach to dispute resolution. We note that there is a focus on ease of access and use of HMRC's statutory review and alternative dispute resolution processes. We have commented where we think we can add value based on our knowledge and understanding of the unrepresented taxpayer population. We have not responded to all questions individually but have grouped our comments under the consultation document headings to aid analysis.

We welcome HMRC's work on dispute resolution, because safeguards like statutory review are essential to promote fairness of treatment, consistency of approach, and underlying trust in the tax system. The current lack of consistency in dispute resolution processes can partly undermine their effectiveness.

We agree with the objectives of the Tax Administration Framework Review as they apply in the context of dispute resolution and safeguards.¹ We previously commented on improving access to alternative dispute resolution and statutory review, mandating statutory reviews in some cases and

¹ The consultation said that a revised tax administration framework should: provide certainty and appropriate safeguards for taxpayers, be flexible enough to adapt to changing circumstances and enable targeted support for taxpayers, support HMRC's aim to make it easy to get tax right and hard to get it wrong, help build trust in a tax system that is recognised as fair and even-handed, be as simple and transparent as possible, help reduce the cost for taxpayers of meeting their obligations and drive down the costs to the Exchequer:

<https://www.gov.uk/government/calls-for-evidence/call-for-evidence-the-tax-administration-framework-supporting-a-21st-century-tax-system>

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withdrawing the option of statutory reviews in certain cases in our response to the 2024 consultation on enquiry and assessment powers, penalties and safeguards.²

Statutory review and alternative dispute resolution are important means of resolution without litigation. Taking a case to Tribunal can be costly, particularly if tax counsel is appointed. This means the middle and lower-income population may rely on these more accessible and less costly means of resolution. Nevertheless, it is essential that the option to proceed to Tribunal remains within reach for those with limited financial means.

We focus our comments on the usability and accessibility of statutory review and alternative dispute resolution for unrepresented taxpayers who are unable to pay for professional advice. Taxpayers should not be disadvantaged due to their personal financial position, and taxpayer rights should be accessible for all.

Reforms to improve support and guidance for taxpayers going through a compliance intervention (Q1 and Q2)

We acknowledge and welcome the work that HMRC have already undertaken to improve support and guidance for taxpayers going through a compliance intervention. LITRG has welcomed the opportunity to engage with HMRC in the development of products such as the compliance professional standards, YouTube videos on compliance and improvements to GOV.UK information.³

We note that HMRC are exploring the scope for streamlining the online process for applying for dispute resolution processes. We agree that streamlining the online application process and integrating it with online tax accounts to enable tracking of progress could improve transparency, which might improve taxpayer trust. It is important that alternative application processes remain available for those taxpayers unable to access an online route.

However, while streamlining the application process may help to improve accessibility, to increase take up of dispute resolution processes, it is essential to improve awareness and understanding of them. In this regard, we think that HMRC could be much more proactive in explaining and offering the options to taxpayers.

Simplifying and aligning processes (Q3 – Q12)

We are supportive of HMRC’s exploration of alignment of the appeals process across all taxes. A guiding principle should be the accessibility and ease of understanding for taxpayers facing a dispute without the support of an agent. We agree with aiming for the potential benefits of alignment and

² See paragraphs 5.11ff, 5.35ff, 5.42ff and 5.50ff of our response to the consultation: The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards:
<https://www.litr.org.uk/submissions/tax-administration-framework-review-enquiry-and-assessment-powers-penalties-safeguards-litr>

³ LITRG is a member of the Compliance Reform Forum and its Customer Experience Advisory Group, which have sought input from stakeholders including LITRG when developing products and services.

simplification identified in the consultation document, in particular improving accessibility to alternative dispute resolution by removing the requirement to appeal to Tribunal before applying for alternative dispute resolution. As we noted in our 2024 submission, we would be concerned with an outcome that makes an appeal to Tribunal a condition of accessing alternative dispute resolution as this is unlikely to be a course of action that unrepresented taxpayers will feel confident to proceed with.⁴

The suggested aligned model set out in Diagram 3 in the consultation seems on the face of it to meet the remit of improving accessibility through simplification and alignment. We are generally supportive of a system that is easier for taxpayers to understand. However, we understand that our CIOT colleagues have fundamental concerns with this proposed aligned model,⁵ and we would defer to the greater practical experience of dealing with the appeals process and dispute resolution of the CIOT’s members. For example, our CIOT colleagues point out that the approach currently taken by HMRC in direct tax cases (Diagram 1) provides more time and opportunity for a dispute to be resolved by agreement, which is preferable for most taxpayers.⁶ Litigation can be much more costly and time-consuming. They also note that under the proposed aligned model, the taxpayer would no longer have the right to request statutory review before it is offered to them by HMRC.⁷ This option (which exists within the current direct taxes model) allows the taxpayer to proceed to a formal appeal more quickly. We agree with the CIOT that the right for the taxpayer to request a review should be retained. It would also be worth carrying out research with unrepresented taxpayers to test the proposed model.

We welcome the recognition in the consultation document that it is important to ensure that taxpayers are aware of all options available to them – and the acknowledgment that this is especially important for unrepresented taxpayers.

Reforms to improve access to alternative dispute resolution (Q13 – Q21)

We think the work that HMRC have been carrying out to review the exclusion list for alternative dispute resolution is worthwhile. It is welcome that a principle-based approach is being developed, to replace the existing ‘out of scope’ list.

It is noteworthy that some cases are currently rejected for alternative dispute resolution, not because they are unsuitable or on the out of scope list, but because the taxpayer applies for alternative dispute resolution at the wrong time – for example they make an application without first appealing to Tribunal. We think this is especially unfortunate, as unrepresented taxpayers who make this mistake may give up on alternative dispute resolution to their detriment. Any aligned model must therefore remove this barrier to accessing alternative dispute resolution.

⁴ See paragraph 5.19: <https://www.litr.org.uk/submissions/tax-administration-framework-review-enquiry-and-assessment-powers-penalties-safeguards-litr>

⁵ See paragraphs 5.1 ff. of the consultation response from our CIOT colleagues.

⁶ See paragraph 5.2 of the consultation response from our CIOT colleagues.

⁷ See paragraph 5.6 of the consultation response from our CIOT colleagues.

In any case, it is incumbent on HMRC to take steps to clarify to the taxpayer why they are rejecting an application and what the taxpayer needs to do to take things forward.

We think it is of paramount importance that HMRC are consistently proactive in promoting alternative dispute resolution and explaining its benefits for the taxpayer. HMRC are often quite good at explaining a safeguard in terms of how it works, but they can be less good at explaining to the taxpayer how it benefits them, as opposed to how it benefits HMRC. It is important that HMRC focus on genuine taxpayer benefits of alternative dispute resolution in communications and guidance. This is likely to require the input of stakeholders with practical experience of alternative dispute resolution.

HMRC staff should always seek to make taxpayers aware of their full range of options, including statutory review and alternative dispute resolution. We think that HMRC should provide taxpayers with timely and clear information about these dispute resolution processes, written specifically with the unrepresented taxpayer in mind. HMRC should provide this information early in the process and should also ensure that further assistance is available should the taxpayer have any concerns or queries about the available options. Ideally, this assistance would be independent of the caseworker dealing with the dispute.

In terms of how HMRC should make taxpayers aware of their options, it is important to realise that the inclusion of a few sentences or a reference to a page on GOV.UK in a long letter may not be sufficient. HMRC should consider additional inclusions in letters that essentially advertise the options available.

The consultation includes the idea of a requirement (on HMRC and taxpayers) to consider alternative dispute resolution prior to appealing to Tribunal. We are not necessarily opposed to this idea. However, as pointed out in the consultation document, HMRC would need to ensure that they have sufficient resource to make taxpayers fully aware of alternative dispute resolution, what it entails, how it works and its benefits (and disadvantages); moreover, HMRC would need sufficient mediation resource to accommodate any increase in the alternative dispute resolution caseload. This resource issue may be difficult to overcome. We would hope that taxpayers on lower incomes with genuine disputes will not be unfairly denied access to alternative dispute resolution on the grounds of HMRC’s limited resources.

There would also need to be a process for the Tribunal to reject or divert cases back to HMRC where taxpayers have tried to go straight to Tribunal.

The consultation also suggests the possibility of charging for alternative dispute resolution. We think that strongly contradicts HMRC’s stated objective of wanting to encourage take-up of alternative dispute resolution. We are concerned that charging for alternative dispute resolution would limit the dispute resolution processes available to lower-income taxpayers even further. This suggestion also

arguably contradicts the HMRC Charter standard, ‘making things easy’, as charging for alternative dispute resolution would make it less accessible.⁸

We also understand that there can be a perception that HMRC mediators lack independence, so it is unlikely that some taxpayers will be willing to pay for HMRC’s alternative dispute resolution service. However, it may be the case that some taxpayers would be willing to pay for an independent resolution service. Whilst this might ease the burden on HMRC’s free mediation service, it risks creating a two-tier service and excluding those on lower incomes.

Other comments

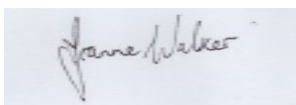
We would also recommend that HMRC perform a review of how cases are managed ‘on the ground’ before dispute resolution processes become relevant. For example, we would like to see HMRC take steps to ensure a more consistent approach to administrative matters such as how taxpayers make reasonable excuse appeals. Anecdotally, we have heard that some caseworkers accept such appeals by telephone, whereas others require the appeal to be made in writing. A more consistent approach may prevent some cases from requiring escalation and then dispute resolution.

It is essential that taxpayers who have extra support needs are able to access the Extra Support Team. If eligible taxpayers miss out on extra support, it seems more likely that their access to dispute resolution processes is undermined.

Acknowledgement of submission

We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the LITRG is included in the List of Respondents when any outcome of the consultation is published.

Yours sincerely



Joanne Walker
LITRG Technical Officer

⁸ The HMRC Charter is available at <https://www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter>. The Charter sets out standards to which HMRC will aspire, including “Making things easy: We’ll provide services that are designed around what you need to do, and are accessible, easy and quick to use, minimising the cost to you.” While the standards are aspirational, it would not be ideal to establish a policy that works against one of the standards.