



Low Incomes
Tax Reform
Group

A voice for the unrepresented

A Call for evidence

<http://www.digitalgovernmentreview.org.uk/articles.html>

The Low Incomes Tax Reform Group (LITRG) Submission to the call (section 1 – Access and Skills)

Proposition: Citizens should have access, and the skills they need, to use government digital services.

1 LITRG evidence

1.1 Digital Exclusion

1.1.1 In 2012, the LITRG published a detailed report¹ which was a culmination of some in depth research conducted over a period of four months. It showed that government efforts to move services and transactions online were disadvantaging older people, those with disabilities and the self-employed in particular.

1.1.2 The report focused specifically on tax and the department of HM Revenue & Customs (HMRC) this being our main area of work and our particular area of concern.

1.1.3 The report looked at:

- the challenges of digital exclusion (including literacy)
- how they affect people's ability to comply with their tax obligations
- whether HMRC's digital assistance strategy is equal to those challenges.

1.1.4 Some two years later we are still seeing the same problems and there is little to suggest a robust plan is in place to combat the challenges raised, by the current government.

1.1.5 Indeed our closing statement in the Foreword of the report was "whilst we recognise both the fundamental shift to digital channels and the potential enabling benefits for many citizens of being able to communicate with government departments online, we urge government to ensure that no-

¹ http://www.litrg.org.uk/Resources/LITRG/Documents/2012/05/digital_exclusion_-_litrg_report.pdf

one is left behind". Nevertheless, as we demonstrate below, there is evidence that people are being left behind and there remains a gulf between those with digital access and those without.

1.1.6 We are conscious that there is a huge effort being made by the third sector to give people the skills and encouragement to go digital through targeting areas of the country and community sectors², but we are concerned that there is no single strategy from the government underpinning this work. We fear that funding may not be channeled correctly nor made available long-term to sustain those who are working hard for improvement in this field.

1.2 **Judicial challenge**

1.2.1 In October 2013, we reported³ that three appellants, supported by the LITRG, had won their appeal against an HMRC requirement that they file their VAT returns online (*LH Bishop Electrical Co Ltd & Others v HMRC Commissioners* [2013] UKFTT 522 (TC))⁴. The judge held that the HMRC regulations which required mandatory filing of VAT returns online were in breach of the appellants' human rights and were unlawful under the EU law as there were no exemptions for older people, those with disabilities or those who lived in parts of the country which were not well served for internet access.

1.2.2 All three appellants ran their own small businesses and had filed their VAT returns promptly and accurately on paper for many years. Two of the appellants experienced disabilities which made it excessively difficult or impossible for them to use a computer, and a third lived in a remote area of the country where broadband access was absent or unreliable. All three were of an age which made learning how to use a computer particularly difficult and they would have had to incur the cost of instructing an agent.

1.2.3 The decision in this case was then a catalyst for a period of consultation from HMRC on their 'VAT assisted programme' and the need to offer alternatives to digital to enable the appellants and others similarly situated to continue to comply with their VAT obligations as they always have done in the past. The outcome was a good one: amending regulations were passed enabling HMRC to permit telephone filing where it was not reasonably practicable for the taxpayer to file online, and paper filing where it was not reasonably practicable for the taxpayer to file either online or by telephone. There would continue to be a right of appeal to the First-tier Tribunal against HMRC's refusal to permit alternatives to online filing.

1.2.4 The fact that HMRC allowed this case to go before the Tribunal when they could have settled much earlier highlights the heartache and undue stress that is imposed upon a responsible citizen who is more than willing to comply with government departments on their affairs yet cannot engage in the digital world. The cost to that person both financially and in their health and wellbeing must be measured when the government considers their digital strategies and planning. Of course the cost to the department of taking the case before the tribunal must have been colossal too, which somewhat undoes one of the key drivers for mandating online filing, which is a cost saving exercise for the government.

² <http://digitalskills.com/>

³ http://www.litrg.org.uk/News/2013/PR_VAT_tribunal_win

⁴ <http://www.bailii.org/uk/cases/UKFTT/TC/2013/TC02910.html#7>

1.3 **GOV.UK and GDS**

1.3.1 We are increasingly concerned about the movement of the HMRC guidance from www.hmrc.gov.uk to www.gov.uk on the pretext that the approach is said to make it quicker, simpler and easier and offers 'what the customer needs', but we find that there is so much dilution of the material that often important key messages are being lost in transit. This means that taxpayers and tax credits claimants are at risk of making decisions about their affairs with limited information that could affect payments and compliance further downstream.

1.3.2 If this is to be the Government's key source of information and if the whole nation is being encouraged to embrace 'digital by default', then the Government itself has an obligation to make sure what is provided is accurate and complete.

1.3.3 In addition, in January 2014 we responded to an invitation⁵ from the GDS to offer some feedback on their 'checklist for digital inclusion'. In summary, we advised that GDS should:

- Recognise that choice must be considered when designing processes and systems. Do not bully into default by inflicting heavy penalties as it will only make compliance more difficult.
- Not mandate online systems – this will only increase the number of non-filers and create more appeals and litigation. Citizens will become disengaged and suffer further through ill health, stress or worry.
- Be clear in guidance and marketing what options are available (some routes/choices and options are deliberately 'hidden' so to discourage usage).
- Ensure that other forms of support are in place to help and guide those who struggle through funding to community groups and the charities.
- Ensure sufficient staff resources in the front line of all government departments.

2 **Recommendations**

2.1 The Government's uncompromising stance in requiring digital engagement and moving all sources of information online has outpaced most citizens' preparedness and ability to comply. Statistics show that each year more people can do more things online, but significant minorities remain digitally excluded particularly by reason of age (pensioners are still the least digitally skilled sector of the population), geographical remoteness, and poverty.

2.2 On current plans, even working-age benefit claimants will be required to claim online once Universal Credit gets under way. It makes little sense that those who can least afford computers and internet connections should, for that reason, be effectively prevented from accessing their welfare entitlement; but that is what will happen unless access to help and guidance is freely available to the most vulnerable.

⁵ <https://gds.blog.gov.uk/2014/01/13/a-checklist-for-digital-inclusion-if-we-do-these-things-were-doing-digital-inclusion/#more-15050>

- 2.3 The next step should therefore be to understand who can be assisted to go online and to distinguish those who never will be able to do so, then agree a strategy which will allow the use of other channels such as paper and telephone. To be sustainable, any 'assisted programme' must ensure that those who can be moved to digital are, and those who cannot are not left behind.
- 2.4 Above all 'go and see' what is actually happening out there in constituencies, there really is no better way to understand the needs and challenges faced by those on the fringes to digital engagement.

3 So in summary

- Is it realistic for any government to think that they can become truly 'digital by default'? Perhaps, if default is to be given its ordinary meaning of 'digital unless the circumstances call for an alternative'; if 'default' is to be misinterpreted (as it has been by HMRC) to mean compulsion for all, that is wholly unrealistic and potentially, as shown in the *LH Bishop* case, a breach of some citizens' human rights.
- Is it fair to assume that the whole population is able to fully engage digitally for all of their citizen responsibilities and affairs? Given the present situation – a population where a significant minority do not possess the necessary skills, and many rural areas are still without reliable broadband, it is not only unfair to assume that, it is quite simply wrong.
- What is the true cost⁶ of getting the nation engaged and who will bear the most of that cost and in what timescale? The essence of publishing information online is that the cost passes from the producer of the information to the consumer, who has to download or print it at their own expense. Therefore any policy that seeks to expand online engagement must ensure that consumers who are least able to bear that transfer of cost are not thereby deprived of essential information. Equally those who are helping people acquire the appropriate online skills must be adequately funded in order for a long-term programme to be sustained.

4 About Us

- 4.1 The Low Incomes Tax Reform Group (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.
- 4.2 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.

⁶ <http://www.tinderfoundation.org/nation2020>

- 4.3 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.

LITRG

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