



## Budget 2020 representation by the VAT Practitioners Group (“VPG”)

### **Background and proposal**

The VAT Practitioners Group (“VPG”) welcomes the opportunity to submit a proposal for the 2020 Budget. The VPG is a company limited by guarantee and its members currently number approximately 400. All of the members practice in the area of VAT and other indirect taxes and are employed in accountancy, advisory and legal practices and also in industry.

The proposal has cross tax application and relates to HM Revenue and Customs Information powers under paragraph 4, Schedule 11, Value Added Tax Act 1994 and paragraphs 1 and 2, Schedule 36, Finance Act 2008.

The time limits for producing documents/information varies. However, what is common across all taxes is that the written request for information frequently arrives too late for the taxpayer to be able to respond fully, due to the HMRC postal system. For example, a taxpayer may receive a request by letter dated 3 January 2020 on 21 January 2020, with a time limit to provide information of 28 days from the date of the letter. In this example, the taxpayer has only 10 days in which to respond instead of the 28 days referred to in the letter.

All too often, the only way to respond is via the post, as HMRC officers are loath to use email as a form of communication. Even allowing for signed for next day delivery (at the taxpayer’s expense), this can reduce the response time by a further 1-3 days.

Once the information is received, the officers regularly do not respond to the taxpayer for two to three months and, when they do, it is usually to ask for more information or to issue an assessment for tax with no warning.

The time frames to respond and the length of time it takes for HMRC officers to act on the information received are common complaints amongst VPG members. The VPG proposes the following amendments be made to the HMRC information powers to bring some consistency to the process of providing information:

1. HMRC officers should take into account the following when determining the time frames for the provision of information:
  - a. The size of the taxpayer
  - b. Whether they are likely to be supported by advisors
  - c. Whether the information will need to be requested from other parties
  - d. The volume of information required
  - e. The time of year (to allow for potential holidays etc.)
2. The request for information should be sent via First Class Registered/Signed for delivery on the day that the letter is dated;

3. If 2. above is not feasible, an extra 10 days (for UK taxpayers) or 21 days (for overseas taxpayers) should be factored into the time frames specified;
4. Phone numbers that work should be provided (many letters from HMRC quote numbers that fail to connect)
5. An email address should always be provided so that the taxpayer may respond in this way to maximise the time frame allocated. Where an email address is provided, the file size that can be received should be increased from the current 8MB and/or a secure file transfer facility offered as a matter of course and not on an ad hoc basis is as the case now;
6. On receipt of the information, HMRC officers must acknowledge this and provide a time frame for response, taking into account the factors (where relevant) outlined in 1. above;
7. Any extension to the timeframe for response must be communicated to the taxpayer as soon as possible, with a reason provided for the delay;
8. Successive requests for information must follow the same guidelines above;
9. No assessment should be issued without previous communication to the taxpayer and/or agent fully explaining why the assessment has been raised.
10. The problem above is exacerbated in relation to the 30 days to apply for statutory review of an assessment, penalty or HMRC decision where the taxpayer's time to respond, or more likely, take advice and respond, can be significantly reduced by the delay in receiving the original correspondence (and HMRC do not always accept late applications).
11. It is further exacerbated in relation to appeals to the Tax Tribunal where if the taxpayer is late on the strict 30 days rule (even if within 30 days of receipt) then they have to make a case to the Tribunal for the late appeal to be accepted (with HMRC having the right to object).

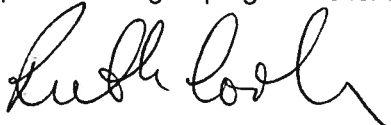
### Impact

These proposals should have minimum impact on resources and financially for HMRC. The main change is a cultural one that leads to a more level playing field between response times between HMRC and the taxpayers or their agents. This would improve the productivity, trust and collaboration between HMRC as the UK's tax authority and taxpayers and their agents, something that is lacking at the moment.

Edward Troup (Then head of HMRC) when launching Making Tax Digital in 2015 stated:

*"Making Tax Digital represents very significant change. It will bring the tax system into the 21st century and help make HMRC one of the most digitally-advanced tax administrations in the world. Going digital will abolish the annual tax return as we know it by 2020, replacing it with a personalised digital service through which taxpayers will be able to send and receive information to HMRC at the click of a button."*<sup>1</sup>

Given the statement that the vision of MTD was to make "HMRC one of the most digitally-advanced tax administrations in the world", the provision of larger file sizes and/or large file transfer should be part of the digital programme for HMRC



Ruth Corkin

National Technical Chair – Authorised to submit this representation on behalf of VAT Practitioners Group

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<sup>1</sup> <https://www.gov.uk/government/news/digital-revolution-for-the-tax-system-to-cut-red-tape-for-british-business>