PUBLIC ACCOUNTS COMMITTEE INQUIRY INTENDED SUBMISSION ON HMRC CUSTOMER SERVICE

Response by Association of Taxation Technicians

Note: Due to the timings of the announcement of the General Election, it was not possible to submit our evidence to the Public Accounts Committee before Parliament was prorogued. Following the dissolution of Parliament on 30 May, the Committee will be disbanded and all of its inquiries closed. It will be for the successor committee (once appointed following the General Election) to determine its future programme, including whether or not it wishes to resume any of its predecessor's inquiries.

We are sharing our evidence now to inform the current debate on HMRC service levels.

1   Executive summary

1.1   Our members continue to experience significant problems with HMRC's performance. We regularly receive reports of agents waiting at least 40 minutes for phones to be answered, poor quality or meaningless advice on webchat and long delays in getting answers to post. While we welcome the recent additional funding provided for HMRC[1], there will inevitably be a substantial lead time before improvements can be made. Our members would be keen to do more online with HMRC, but there are significant gaps in HMRC's digital services and even where services do exist, agents do not always have access to the full range of digital services available to taxpayers.

1.2   We have made further comments below under the headings of:

- Improving customer service performance;
- Optimising digital services;
- Plans for customer service workforce reduction.

1.3   We also have concerns about how HMRC is going to manage both its old legacy and new systems as Making Tax Digital for Income tax and Self-Assessment (MTD for ITSA) is rolled out over the coming years. As it will be a number of years (timescale yet unknown) before all taxpayers are migrated to HMRC's Enterprise Tax Management Platform we think it is important that HMRC is adequately funded to maintain its existing systems to the same level. Too often we are told that 'MTD will fix that' but a full migration of individual taxpayers to MTD systems is some years off.

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[1] https://questions-statements.parliament.uk/written-statements/detail/2024-05-13/hcws456

2   About us

2.1   The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the Public Accounts Committee (PAC)'s call for evidence on HMRC Customers Service[2]. HMRC's customer service has been the primary concern of our members since Covid, as it is preventing them from effectively managing their clients' tax affairs.

2.2   The ATT sits on a number of HMRC forums covering a range of taxes and administration measures, including:

- The Issues Overview Group - a joint forum of HMRC and professional bodies that progresses important operational issues or problems raised on the online Agent Forum, or otherwise identified by HMRC or professional bodies representing tax agents and advisers.
- The Representative Bodies Steering Group - which helps to advise on strategic decisions about HMRC's performance, including customer service, its digital strategy, and the impact of these on agents.

2.3   The ATT is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

2.4   Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members are found in private practice, commerce and industry, government and academia.

2.5   The ATT has more than 9,800 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

3   Improving customer service performance

3.1   We asked our members for their comments on the topics the Committee will be covering. This gives a flavour of the feedback we received:

"Sometimes dealing with HMRC can be unbearable."

"We can't just get through to HMRC to resolve an issue quickly. It becomes very expensive for small businesses to resolve things."

"Simply put, HMRC are no longer fit for purpose."

ATT member feedback May 2024

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[2] https://committees.parliament.uk/work/8370/hmrc-customer-service/

3.2   **Phone**

In terms of customer service, the primary area of concern for our members is how difficult it is to get through to HMRC on the phone. The sort of issues encountered include:

- Excessive waiting times on the Agent Dedicated Line, with waits of over an hour not being unusual.
- Promised call backs from technical teams which do not occur.
- Calls being disconnected mid-conversation, necessitating the need to queue again
- Significant variation in the technical experience and knowledge of HMRC personnel answering the Agent Dedicated Line.
- Refusal of some staff to deal with more than one query per call, despite HMRC policy to permit a reasonable number of client queries per call, subject only to the limitations of when the call handler is due a scheduled break. This means agents are forced to queue multiple times a day, which significantly impacts on their ability to resolve client issues and manage their workload.

3.3   While HMRC have attempted to provide an indication of the likely wait times on the phone, due to the complexity of the phone system it can only provide an average wait time from the previous day. This is typically in the region of 40 minutes. Members report that this is of limited use to them as it doesn't reflect current call times. We are told the solution is to ring as soon as the lines open at 8am, although even then long wait times have been reported.

"To give a real-life example, I called the agent line this morning as sitting down to reply to this email at 9.07am. The initial message already says they are very busy and the average wait time yesterday was 40 minutes. I only ever call the agent line first thing, there's no point otherwise, and it always takes upwards of 30 minutes to get through" ATT Member, May 2024

3.4   Many of the solutions to improve phone performance are likely to be expensive, including:

- Increasing the number of staff on the helplines
- Increasing the level of training
- Providing a system to trace promised call backs which are not received
- Introducing more digital services to allow agents to transition from phoning HMRC.

3.5   HMRC tell us that a lot of calls are unnecessary and could be done online – but our members tell us that online services do not exist for what they are trying to resolve. We have commented further on additional digital services which we think are needed below.

3.6   Members tell us that they spend a lot of time chasing correspondence by phone where the processing dates indicated in HMRC's Where's My Reply service[3] have been passed. This is supported by the findings of the recent NAO report on HMRC Customer Service[4] which suggests that 72% of calls relate to 'failure demand' - calls caused by HMRC's process failures or delays, customers chasing progress and customers' errors. One way to reduce this demand would be to provide a dashboard for taxpayers and agents to see where correspondence was in the system, and provide reassurance that post was being actioned. We discuss this further below under optimising digital services.

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[3] https://www.gov.uk/guidance/check-when-you-can-expect-a-reply-from-hmrc
[4] Page 6 of full report available from https://www.nao.org.uk/reports/hmrc-customer-service/

3.7   **Webchat**

While we welcome the extension of webchat to agents beyond the temporary period in the run up to the end of the 2022/23 self-assessment filing season, there are issues with this service.

3.8   Unfortunately webchat does not cover the full range of taxes about which agents typically call HMRC. It does not cover Capital Gains Tax (CGT). Taxpayers and agents cannot, for example, request a refund where 'in-year' CGT on a property disposal has been overpaid. This is a fairly frequent complaint we receive and arises because the CGT on UK Property Reporting service, required to report certain disposals of property within 60 days of completion, is on a separate platform to the main Self-assessment system where most gains must be reported again at the end of the tax year. This is something which is supposed to be resolved by MTD for ITSA, but in the meantime looks set to remain an issue for many years.

3.9   From a practical perspective, agents still need to wait to be connected to an HMRC adviser before they can start using the chat. It is not possible to save time and type details into the chat while waiting for an adviser to pick it up, as anything typed in before the chat is live can't be seen at HMRC's end.

3.10   In recent weeks we have received a number of complaints that webchat is not consistently available:

"For the past 7-10 days, there have been no advisers available to assist with any queries on the self-assessment web chat. It would be useful if this form of communication was available for quicker queries that do not require a phone call." ATT member, May 2024.

"Webchat – we've had limited experience because, when we have tried to use it, there's never an agent available and, if you're "idle" because you're waiting for an agent, it logs you off." ATT member, May 2024

3.11   One positive of webchat is that the taxpayer or agent can keep a transcript of the conversation and advice provided which can be retained.

3.12   We would like to see both the availability of webchat increased through increased staffing, and the range of tax questions that can be addressed increased.

3.13   **Post**

In terms of post, HMRC tell us that the amount of post on hand has decreased significantly, and we were appreciative that HMRC extended the Agent Account Manager service last year to allow agents to flag post which had been unanswered for 12 months[5]. We believe this helped to identify issues with certain post queues within HMRC. Despite this progress, we are still receiving reports from members concerned about old post. As we have previously suggested to the PAC[6], we consider that more detailed, published targets for the processing of post would be beneficial to prevent the build up of 'black holes' beyond the 15/40 working day target. We think it would be helpful to have details of the amount of post over six and 12 months.

3.14   *"Post seems to be taking months to be answered – particularly if it's something that the Technical Team need to deal with. We send everything Special Delivery (not a cheap exercise) to ensure that we can prove when it was received."* ATT member, May 2024

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[5] https://www.att.org.uk/technical/news/hmrc-announces-taskforce-address-old-post
[6] Para 3.5 https://www.att.org.uk/sites/default/files/2023-12/ATT%20submission%20for%20PAC%20HMRC%20Standard%20Inquiry%202022-23.pdf

4   Optimising digital services

4.1   We would like HMRC to develop more digital services to enable agents to self-serve on behalf of their clients. Our members tell us that they would like to do more for their clients online and that, if they were able to complete a task digitally, they would choose to do this over writing letters or waiting on the phone or webchat.

4.2   We have been engaging with HMRC on their Agent Targeted Operating Model (ATOM) project which is intended to produce what is effectively a 'charter' setting out the way in which new services for agents should be designed. We do believe that HMRC is working hard to understand the issues faced by agents and understand what they need from services. However, ATOM is a long term project and will not bear fruit unless HMRC receives sufficient funding from Government.

4.3   Increasing the range of tasks that agents can do online could also help to reduce the number of digitally excluded people that HMRC has to deal with - because their agents could then deal with HMRC digitally on their behalf. However, for this to be possible, there need to be more effective ways of digitally excluded people appointing their agent to act. The design of an easy to use agent authorisation process that gives confidence to HMRC that they have clear oversight of who is doing what for the taxpayer, meets GDPR and security requirements and provides the functionality that agents need in practice is critical to the success of ATOM. The 'old' methods of appointing an agent generally involve signing a paper 64-8 form, which is simple and easy to do but lacks security. In contrast, for all new services, taxpayers must complete a 'digital handshake' and authorise their agent online. This requires the taxpayer to be able to set up a Government Gateway.

4.4   While we appreciate that HMRC needs to take data security seriously, where an individual is 'digitally challenged' and not able to complete this step, the alternative approaches are very difficult. The current approach requires the individual to ring up HMRC and ask for help from the Extra Support Team. This is cumbersome for the taxpayer/agent and resource intensive for HMRC. For example, if a digitally challenged taxpayer wants to appoint their agent to access their Property Account and report disposals to HMRC online, there are 10 steps required including a number of phone calls[7] and two separate referrals within HMRC.

4.5   Our members report that problems with completing a digital handshake primarily affect older clients who are less digitally confident, but can also affect those with a limited 'digital footprint' for ID verifications such as students, and those living abroad. Lack of digital capacity is not limited purely to the older population and even those capable of interacting with HMRC digitally now can risk losing that ability in the future.

4.6   We believe that it is vitally important that agents can see and do all that a taxpayer can see and do online. Currently this is not the case, and there remain a number of important areas where there are no digital routes for agents, even if the route exists for taxpayers.

4.7   At a more detailed level, the sorts of additional digital services we would like to see include:

                1.   The ability for agents to alter PAYE coding notices online

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[7] https://www.gov.uk/hmrc-internal-manuals/capital-gains-manual/cg-app18-130

2.   Ability for agents and taxpayers to see details of bank interest reported to HMRC
3.   Dashboard for taxpayers and agents to track correspondence
4.   Ability for agents to view their clients' NIC contributions and forecast state pension entitlement
5.   Ability for agents to cancel or request a tax return via their Agent Services Account
6.   Facility for taxpayers and their agents to opt back into self-assessment voluntarily.

These are discussed in more detail below.

4.8   1. Currently, there is a basic service for individual taxpayers to request amendments to their PAYE codes online. In contrast, agents are required to write or phone. Given that changes to PAYE codes are often needed promptly – before the next wages run – most agents will tend to ring to ensure the changes have been processed, rather than risk writing. Changes are also typically bunched into January-March when codes for the following tax year are issued and July/August after the receipt of P11Ds. In our experience, amendments made by agents are rarely challenged by HMRC staff as agents have the relevant experience to understand the changes needed. Given this, and the fact that changes made online could be traced, an online service for agents would be most welcome. In the longer term this should be more cost effective for HMRC as not only should it reduce calls, by allowing prompt correction of tax codes it could reduce incidents of under/overpayments.

4.9   2. It is estimated that 2.7m people will need to pay tax on savings income in 2023-24[8]. Each year HMRC receives data from bank and building societies of all the savings interest paid out. HMRC carries out an enormous matching process to allocate the savings to individual taxpayers, followed by a further reconciliation for individual taxpayers not in self-assessment to calculate the individual's final tax position and issue either a P800 or Simple Assessment with details of the relevant tax refund/demand. This matching exercise works well in many cases but is not infallible. If the total savings figure reported by HMRC cannot be reconciled to the taxpayer's own figures, it is necessary to ring or write to HMRC to obtain a detailed breakdown of the figures they hold and request corrections. In the interests of transparency - as well as efficiency of correction - we think that taxpayers and their agents should be able to access this information online, via the PTA and/or software downloads.

4.10   3. As noted above, we think an online dashboard to allow taxpayers and agents to track and monitor correspondence could be helpful in reducing chasing calls.

4.11   4. Details of an individual's NIC contribution record and forecast state pension entitlement are available to individuals on their Personal Tax Account but not to agents. It is vitally important that the NIC record is correct to ensure that the individual receives their maximum state pension entitlement. Over the years there have been a number of problems for the self-employed with incorrect refunds of Class 2 – and this year an additional challenge when a computer error resulted in refunds of some voluntary contributions[9]. As Class 2 is phased out for most people, it is even more important that agents can access the record and confirm that years have been correctly recorded for their clients.

4.12   5. This is a simple administration issue which could usefully be done via the Agent Services Account. Currently agents can only call or write to request issue or cancellation of a tax return, whereas unrepresented taxpayers also have an option to cancel a tax return by submitting a digital form[10].

4.13   6. HMRC generally removes taxpayers from self-assessment as soon as they do not fall within their criteria – for example having savings interest under £10,000. However, such people may still have tax to pay and many find being in self-assessment easier than relying on HMRC to issue P800/Simple Assessments. Remaining in self-assessment enables individuals to keep control over their affairs, to finalise their affairs quicker and avoid issues with data mismatches. It is also simpler where there is an agent involved, as HMRC's self-assessment systems are better set up for agents. It would be much easier for many people if they could opt to stay in Self-assessment, rather than be automatically removed on an annual basis and then having to reregister each year. Given any taxpayer has the right to file a self-assessment return and that the entire process of self-assessment is managed online/via software, we cannot see why HMRC would object to people volunteering to stay within the system.

4.14   **MTD for ITSA**

The ATT has been engaging with HMRC since the outset on the design of MTD for ITSA. We will not rehearse our concerns with the design here. For the purposes of HMRC customer service, this is a major programme of transformation which is effectively the vehicle to allow HMRC to upgrade many of its computer systems.

4.15   While the ATT and others called for the delay to MTD for ITSA – it was very much needed and it is vitally important that MTD for ITSA is launched successfully and not rushed – as a consequence HMRC needs to run its old systems for much longer than originally planned. At present, we are not aware of the roadmap for the migration of the entire taxpaying population to the new Enterprise Tax Management Platform. In our view, HMRC needs funding to maintain the older systems until this happens, otherwise there will be a two tier service with those who have been required to migrate on more modern systems than those who do not.

4.16   As it stands, the Issues Overview Group has highlighted a number of areas over the years which cause problems for taxpayers and agents, but we are often told that it is not cost effective to resolve them as MTD for ITSA will remove the problem. At best, all we can hope to achieve is updates to guidance to help agents and taxpayers work around the issues. However, taxpayers will not start to migrate to MTD for ITSA until April 2026, and the plans for those with turnover of less than £30,000 are to be determined.

4.17   We question whether it is reasonable to leave systemic issues unresolved for those not within MTD for an unknown number of years.

4.18   One example of the type of issue raised concerns Marriage Allowance claims. For eligible couples, Marriage Allowance is worth up to £252 a year. It allows one party to reduce their tax bill by up to £252 in exchange for the other party giving up 10% of their personal allowance. Where one or both members of the couple is within self-assessment, failure to follow various workarounds can result in delays to processing tax returns, the need for returns to be adjusted multiple times and delays in receiving self-assessment refunds.

4.19   Where both spouses are in self-assessment for example, agents need to know to submit the transferor's return first, then wait 72hrs for HMRC's systems to update before they can submit the recipient's return[11]. Failure to file in this order can lead to the recipients' return falling out of automatic processing and ending up on a manual processing list to be worked by HMRC by hand. This creates more work for HMRC and confusion for the taxpayer.

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[11] https://www.att.org.uk/technical/news/marriage-allowance-claims-hmrc-confirm-recommended-practice

4.20   **Optimising existing digital services**

4.21   Moving online to manage their tax affairs will be something of a culture shift for some taxpayers. Tax is an area people find stressful, worry about getting wrong, and often need more reassurance with than is currently provided.

4.22   One of the ways that we think existing services could be optimised is to improve the guidance around online services. The services are designed to be 'easy to use' and 'intuitive' but not all taxpayers are confident completing processes online.

4.23   As a first step, it would be helpful if there could be guidance online on how to set up a Government Gateway/GOV.UK One Login - including what, exactly, is being set up and how it can be used for other, non-HMRC Government services. We have been asking for a number of years now for a step by step guide to how to set up the Government Gateway account which people could follow. HMRC's own YouTube channel[12] mentions the Gateway in videos from eight years ago but does not make it clear exactly what information is needed or what the step by step process is. We understand that it is considered a security risk to include step by step guides to the Government Gateway online, but what this means in practice is that taxpayers will turn to other videos provided by third parties which may or may not be accurate.

4.24   The second aspect is to provide more guidance on systems once someone has logged in. Our members tell us that they often spend time producing help sheets for their clients to show the process step by step. Similar help sheets were also produced by HMRC to help those calling about the Trust Registration Service (TRS). The evidence suggests that such 'step by step' help sheets can be very valuable, but we understand that the standards imposed by the Government Digital Service frequently block HMRC from placing such documents on GOV.UK because they are not accessible. While we appreciate it would be frustrating to some individuals (for example those using screen readers) and that PDFs can be challenging to access, on balance we think there would still be benefit in providing this handholding support (which has limited cost to HMRC) to those who could benefit from it.

4.25   Finally, we think that work is needed on when/if HMRC will accept digital signatures on returns, claims and forms. Currently there is no clear policy on what a digital signature is – whether a simple typed name or scanned signature is enough, or if specialist software is needed to ensure that a signature can be verified. It would be helpful if there could be consistency across the various taxes. It would also be helpful if work could be done to help taxpayer record keeping by confirming when digital copies of documents would be considered sufficient evidence and paper copies of forms, claims and other supporting documents are not required especially since many businesses are now moving to paperless systems.

5   Plans for customer service workforce reduction.

5.1   Given the current performance levels, we are struggling to see how the workforce can be cut further. While we support HMRC's desire to move more processes online, the online routes have to come first, before telephone support is removed.

5.2   We are also concerned that, come 2026, when the first tranche of taxpayers with income over £50,000 move into MTD for ITSA that there will be more demand on HMRC phone lines as this group come into quarterly reporting.

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[12] https://www.youtube.com/watch?v=7HL6Dc3QtsE

5.3   We were pleased to see the statement from the Financial Secretary to the Treasury on 13 May that further funding will be available to assist HMRC in meeting its telephony targets[13]. It is vital that HMRC is able to resource telephone helplines until any new services are up and running smoothly. The challenge for our members will be to how to manage with the current levels of service until that additional resource is in place, as it will take time to recruit and train the necessary staff.

The Association of Taxation Technicians

28 May 2024

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[13] https://questions-statements.parliament.uk/written-statements/detail/2024-05-13/hcws456