

## Comments on PRIA on increasing use of HMRC online services

### Introduction

The Professional Contractors Group is the cross-sector representative body for freelance contractors and consultants in the UK. Its members operate their own one or two-person companies and provide their services to a range of clients. They work in IT, engineering, project management, oil and gas extraction, marketing and many other sectors.

The UK's freelance contractors and consultants are a highly skilled, highly flexible and highly mobile workforce. The UK's model of freelancing is uniquely sophisticated and, by affording companies the ability to acquire specialist skills on a flexible basis, offers the UK a meaningful competitive advantage, particularly in the knowledge-based industries on which its future growth depends.

PCG's members are among the 1 in 7 workers in the UK who choose to work for themselves in some way. They sit outside the traditional divide of employer and employee; as part of the "third way" of working, they are therefore often overlooked in the policy discourse, which remains dominated by the traditional dichotomy.

PCG made a submission to Lord Carter's review of HMRC's online services in 2005. This response considers only the recommendations made in the Partial Regulatory Impact Assessment of March 2006.

### Compulsory filing

PCG offers no comment on the proposed schedule by which online filing will become compulsory, but does object to the principle of compulsory online filing and payment. The lack of a paper trail will render taxpayers vulnerable in the event of an error by HMRC or circumstances beyond their control which prevent payment on time, such as a failure on the part of their ISP. Strong safeguards must be introduced: the onus must be on HMRC to prove that a taxpayer has not submitted on time and, if so, that the taxpayer is culpable.

Alternatively, the principle of compulsion should be dropped. PCG observed during the initial review that very often small businesses find it easier to jot the figures down on a piece of paper and then post it than they do to register, log in and file online. Others prefer to use this option not for convenience but in order to safeguard themselves against being penalised for an error that originates from HMRC.

PCG members have indicated growing concerns over HMRC's accuracy and reliability, as well as its willingness to blame the taxpayer for errors irrespective of who committed them. Some have even said that they are so worried at HMRC's unreliability in this regard that they would be willing to pay for the security of a paper audit trail. As PCG recently outlined in its response to the consultation on HMRC's powers, it is necessary for businesses' trust in the tax system to be restored. It is doubly important for this to be done before online filing is made compulsory.

### Further points

The PRIA nonetheless contained some good points, which PCG is pleased to welcome. We agree with the aim stated on page 1 to create a better and more cost-effective service and welcome the financial incentives for businesses to file online. That said, we are still receiving reports from our members of these promised payments being made extremely slowly, if at all.

We welcome also welcome the announcements on page 17 that further consultation will take place to inform a review of the reforms' indirect effects and also that meetings will be held with representatives of all affected groups. PCG is the only representative body for freelance consultants and contractors in the UK and looks forward to contributing to this phase of consultation.

Page 18 of the PRIA asks how new regulations can be communicated to businesses who do not use intermediaries. Trade associations and representative groups have a role to play in this regard and PCG will be willing to help when the new arrangements, if any, have been finalised.