

Submission to Lord Carter's Review of HM Revenue & Customs Online Services

Introduction

The Professional Contractors Groups is the trade association representing the UK's freelance contractors and consultants. Our members work in a range of sectors including engineering, oil and gas and, particularly significantly for the purposes of this review, accounting and IT. They typically run their own businesses which sell their services to a range of clients. We are therefore able to draw on a wide range of experience among our members, both as users of HMRC's online services and as professionals with specific expertise in the areas under consideration, some of whom have done work for HMRC in the recent past.

We have witnessed a strong response to this issue among our members, many of whom have been keen to contribute to securing the future success of HMRC's online services. The response below sets out members' impressions of HMRC's online services in recent years and seeks to identify the main problems with the services at present. It then offers suggestions for improvements. But let us first place the services in context.

The context for online services

It should go without saying that HMRC's online services must operate within the framework of current tax law. Experience shows that, unfortunately, this is not a straightforward matter that can be taken for granted. For instance, this reviews terms of reference include mention of supporting "compliance". This is a word much used by HMRC in its literature and on its website, yet its meaning can at times seem ambiguous. PCG would like to remind HMRC that "compliance" should entail the payment of tax owed: it follows, therefore, that tax evasion constitutes "non-compliance" but that avoidance - arranging one's affairs so as to minimise the tax owed in the first place - does not. HMRC's online services must be utterly unambiguous, both in the guidance they offer to the public and in the thinking by which they are established, about what constitutes "compliance".

HMRC's online services must also be consistent with other government websites. The recent and retrospective re-interpretation of the settlements legislation seeks to penalise businesses for arranging their affairs in exactly the way recommended by the Government's own Business Link website for many years. As well as ensuring that other government websites are consistent with its own guidance and positions, HMRC must give a binding and irreversible commitment that the advice offered on all of these websites is definitive and that businesses who follow it will not be penalised for doing so at a later date.

In the event of a change in long-established practice, a suitable period of advance notice should be given. In the case of retrospective taxation noted above, which is itself deeply immoral, was compounded by the lack of notice given to the effect that certain arrangements would now be taxed differently. Advance notice on HMRC's website of imminent changes would have been much more fair (although such changes should really be made by legislation in any event, rather than by HMRC acting on its own initiative).

Experiences of PCG members

PCG members report a variety of experiences of HMRC's online services. Some of them have offered some extremely positive comment. The convenience of filing quarterly VAT returns and end of year returns online has been praised as making the process very straightforward. The dependable regularity of

withdrawals from a business's accounts can also assist in making its cash flow more even and regular. Members also observed that their accounts were credited promptly in the event that they were owed money by HMRC.

As is perhaps inevitable in any consultation of this sort, however, the negative comment rather outweighed the positive. An overall impression emerges of the system being cumbersome to use: it is slow to load; its help section is not especially helpful or informative; it is not intuitive, requiring extensive study before it becomes clear what the taxpayer should do; and it is extremely hard to navigate. Numerous members, having made these or similar observations, added that while they have usernames and accounts, they find it easier and more straightforward simply to jot the figures down on paper and pop it in the post.

A more fundamental problem of perception was raised by one member, who observed that HMRC's credibility is not sufficient for people to feel able to trust it with their affairs. This is partly due to recent high-profile difficulties such as those concerning the tax credits system, and partly due to a perception of poor business design within HMRC, of which these difficulties are symptomatic and which prevent HMRC's online services and other IT systems from meeting its needs. The same member found it preferable to pay by cheque and submit returns on paper, having done all the calculations personally.

Problems with current services

From members' testimony, PCG can suggest half a dozen specific problems that must be rectified in order to maximise the use of online services. This must be done while maintaining the ease and convenience currently offered by the system when at its best. The first of these is a lack of some basic functionality: one cannot, for instance, enter details into a form and then return to it later without submitting it - one must either fill it in completely or do nothing. The auto-filling of boxes, while potentially convenient in some circumstances, also increases the risk of error for taxpayers not on their toes. Functionality issues also give rise to some security concerns: there is no way, for instance, to remove yourself from the system, such that a risk exists of people being able to access a company's accounts after they have ceased to be responsible for them. The requirement for a 12 digit username and password, being relatively unusual, will probably oblige most users to write them down, which rather defeats the point of the exercise.

Some bugs and errors in the system have also been observed: some members reported simply having been unable to submit their returns, for instance - and PCG members are, as already observed, generally more computer-literate than most. Some have expressed concern that errors will jeopardise their £250 payment for filing online, while others have questioned whether anyone is ever paid this amount as promised. Certainly no PCG member who contributed to this response observed that they had been.

As already briefly mentioned, navigation is another key problem. Even members who observed that they liked the convenience of being able to file their returns online observed that this only applied once they had found the relevant pages. The process of setting up a user account is also described as long and convoluted, partly due to the navigation issue. Related to this issue is an occasional lack of clarity in the

process. One member reported a disjoint between submitting a VAT return and actually making the payment, being left uncertain over whether it had been done correctly. Another was uncertain whether payment would be taken by direct debit as soon as one was established or whether it was necessary to initiate payment separately. It is essential, for online services to be successful and universal, that they should be readily comprehensible to all users, which they do not seem to be at present.

Suggestions for future improvements

PCG would like to suggest a range of solutions to the problems already observed and other possible improvements which should, if implemented, go some way towards making HMRC's online systems fit for broader use.

The first of these is a general observation with regard to Government IT systems. The general preference seems to be for large, monolithic systems, but these are not necessarily suitable for all purposes. An open (as distinct from open source) system would have great benefits for HMRC if it were implemented so as to allow the private sector, particularly accountants and advisers, to collect data in a form that can readily be sent to HMRC electronically. This would save a great deal of time currently wasted in re-typing information that the accountant already holds, would reduce the potential for error and would allow accountants to "book" times for submitting their data, so evening out the peaks and troughs in demand on the system. There are various technologies that could be used to achieve this such as J2EE or Webservices.

The preparation of systems could also be improved: the incidence of errors reported by PCG members suggests that testing needs to be yet more thorough and that HMRC advisers need to be very thoroughly trained in the workings of all systems. The delivery of Government IT projects is notoriously difficult and PCG has already suggested repeatedly to the Government that its use of a relatively small range of large contractors for nearly all projects contributes towards persistent delays, over-spending and inadequacies in the finished products.

Some smaller-scale and relatively obvious developments can also be suggested to remedy some of the problems already observed. The indexing and navigation of HMRC's website must be improved substantially and sets of thoroughly researched and stable FAQs provided. Investment is also needed in systematically addressing user criticisms and complaints. Testing for compatibility with a full range of browsers should also be standard for the roll-out of all new services; one member reported difficulties with viewing the old HMCE website using Opera, though the HMRC site currently seems to work in this regard. It can also be observed that taxpayers are required to maintain a grasp of many different identifying references, such as NI numbers, VAT registration numbers and others. These should ideally be rationalised.

Overall, while use of HMRC's online services may never be absolutely universal, PCG hopes that this review will allow as many people as possible to benefit from the ease and convenience that they can offer.