

# IFA REPRESENTATION 02/22



The IFA welcomes the opportunity to provide feedback to the call for evidence: [Modernising tax debt collection from non-paying businesses](#) which was published by HMRC on 30 November 2021.

We would be happy to discuss any aspect of our comments and to take part in all further consultations in this area.

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The IFA is a full member of the International Federation of Accountants (IFAC) the global accounting standard-setter and regulator. We are also recognised by HM Treasury and the Financial Services Authority in the Isle of Man to regulate our members for the purposes of compliance with the Money Laundering Regulations.

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## IFA consultation response: Tax Debt Collection

### 1. Purpose

1. The views contained in this report are those of the IFA as a body and do not represent the views of any one person. Feedback was taken from a number of IFA members and supporters to form the basis of this report.

### 2. Approach

2. The IFA consulted its members concerning the Call for Evidence: Modernising tax debt collection from non-paying businesses. This response reflects the views of 32 IFA members who took part in an IFA members' survey.
3. We have not formed a response to every question in the Call for Evidence, instead we have concentrated on the key questions of interest to our members. We have referenced those responses using the original question numbers from the consultation paper.

### 3. Executive summary

4. As this consultation is a broad Call for Evidence the IFA is presenting a range of views from its members.
5. Our members are particularly focused on their role as tax agents to help taxpayers understand their tax liabilities, and to pay their tax on time.
6. IFA members want to be supported by HMRC to provide the best possible service to their clients, and help their clients quickly and easily comply with their tax obligations. We have made a number of suggestions of where HMRC systems could be improved to help taxpayers' understanding which may help them pay their tax liabilities in good time.

### 4. Detailed responses

#### **Q4. What are your views on whether and how HMRC should modernise to adapt to the use of in-house leasing, in order to minimise non-payment of tax debts?**

7. A slim majority of IFA members (53%) are against HMRC increasing its powers to collect tax from a company in a group that owns the business assets and leases some of those assets to other group members, even if that is not the company which carries on the main trading of the group. However, 47% were in favour of this change, particularly around leased assets.

#### **Q.6 What are your views on whether and how HMRC should modernise to adapt to an increased use of intangible assets, in order to minimise non-payment of tax debts?**

8. Just over half of IFA members (56%) are against HMRC having powers to take control of the intangible assets of a business which has not paid its tax debts. However, 44% were in favour of this change in relation to intangible assets.

**Q8: What are your views on whether and how HMRC should modernise to adapt to an increased use of digital wallets, in order to minimise non-payment of tax debts?**

9. The vast majority of IFA members (84%) are in favour of the direct recovery of debt (DRD) rules being extended to allow HMRC to collect funds from digital wallets to satisfy tax debts.

**Q 10: To what extent do you think expanding security deposits to include repeated, intentional non-payment would incentivise businesses to pay their future tax liabilities on time?**

10. A very significant majority of IFA members (81%) are in favour of HMRC's powers being extended to allow it to require a security deposit from businesses which repeatedly and intentionally refuse to pay tax liabilities on time. Although only 65% of IFA members felt that requiring a security deposit from a business would incentivise that business to pay its future tax liabilities on time.

**Q 11: To what extent do you think using director's personal guarantees for businesses with a history of repeated, intentional non-payment would incentivise businesses to pay their tax debt?**

11. Most IFA members (71%) feel that HMRC should have the power to demand a personal guarantee from the directors of a company that has a history of repeated and intentional non-payment of tax. Those members generally agree that requiring personal guarantees from such company directors would incentivise the company to pay its future tax liabilities on time.

**Q 12: What opportunities are there for agents and intermediaries to play a greater role in helping their clients engage with, and pay tax due, to HMRC?**

12. The IFA members have four key suggestions for improving tax compliance systems to allow tax agents to assist their clients to pay their tax debts on time. These suggestions are ranked in order of importance:
1. Ensure that HMRC's banking and debt management department has real-time accurate information regarding the taxpayer's tax debts.
  2. Allow tax agents to see exactly what tax and interest their clients owe in real time.
  3. Allow tax agents to instruct HMRC to allocate tax payments made by clients against particular tax debts, where a mistake has been made.
  4. Send copies of all tax payment reminders to the tax agent as well as to the client.

IFA members would like HMRC to take action in the following areas to help avoid tax debts arising:

- Write tax statements in plain English, and make them easier for taxpayers to understand;
- Included on individual tax statements the penalties and interest that could apply if the debt is not paid on time;
- Improve taxpayer awareness of Time to Pay arrangements;
- Answer the phone promptly;
- Reply to queries from tax agents quickly; and
- Promote tax and finance lessons in schools.

### **Contact details**

Should you wish to discuss our responses further, please contact Anne Davis, Director of Professional Standards, by email at [anned@ifa.org.uk](mailto:anned@ifa.org.uk)