

IFA REPRESENTATION 01/22



The IFA welcomes the opportunity to provide feedback to the Call for Evidence: [ITSA registration for the self-employed and landlords](#), 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.

Institute of Financial Accountants
Member of the IPA Group
CS111, Clerkenwell Workshops
27-31 Clerkenwell Close
Farringdon, London EC1R 0AT
T: +44 (0)20 3567 5999
E: mail@ifa.org.uk
www.ifa.org.uk

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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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www.ifa.org.uk

1. Purpose

1. The views contained in this report are those of the IFA as an accountancy professional 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: ITSA registration for the self-employed and landlords. This response reflects the views of 43 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 engage with the tax system, and to understand their tax obligations.
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 both tax agent and taxpayers register for ITSA quickly.
7. A big frustration for IFA members is the time it takes to have a UTR number issued for a new client and the delay to getting the authorisation to act in place.

4. Detailed responses

Q3 - What are your experiences of closing an ITSA record of self-employment or property income? Is it easy to understand and complete?

8. The following issues were reported by IFA members when closing the ITSA record:
 - HMRC do not update their records correctly and continue to demand tax returns
 - HMRC don't always pick up the end date from the SA Tax Return and continue to issue returns
 - HMRC disregards the information provided
 - When we inform HMRC on a client's tax return that this is their last year of trading, HMRC take no notice of this and still send the client returns to complete in the following year
 - HMRC fail to pick up on cessation of trade dates and continue to issue tax returns when they are not necessary. Sometimes it can take 2 or 3 attempts to get records closed down
 - There is no established or standardised way of deregistering. There should be a standard procedure instead of calling HMRC

Q4 – What difficulties do taxpayers new to ITSA face in complying with their obligation to notify liability? What are the causes of these issues?

9. IFA members focused on difficulties they have in registering their clients for ITSA, and these fell into five broad categories:
- Client does not contact accountant until late in the process and does not provide the correct information.
 - Problems with HMRC not able to verify ID of the taxpayer.
 - Forms SA1/CW1 or other correspondence gets lost.
 - Delay in HMRC issuing a UTR number for the new client - one member mentioned a delay of over 7 months.
 - HMRC does not connect National insurance and self-assessment records of the taxpayer, and there is duplication of work to register separately for both.
- 10 IFA members are also frustrated that agent authorisation forms 64-8 are not actioned by HMRC within a reasonable period, or are lost completely.

Q7 – Are taxpayers clear on what trading is, and when they started or stopped trading?

- 11 Just over half of IFA members surveyed (55%) say that their new clients are aware that they need to tell HMRC when they start or stop trading or letting property.
- 12 However, a significant number of new clients haven't registered with HMRC when they contact an IFA member, and our survey results show that the reasons for this are ranked as follows:
1. The business is loss making so the taxpayer thinks they don't need to tell HMRC.
 2. Taxpayer doesn't know how to register with HMRC.
 3. Taxpayer is not aware their "side hustle" is taxable.
 4. Taxpayer is too busy setting up the business
 5. Taxpayer doesn't have a clear date for when their business started.
 6. Taxpayer is confused between registering for self-assessment and self-employment
- 13 IFA members also mentioned to common situation where the trade starts as a hobby then becomes a business as the turnover surpasses £1,000 per year (over the limit for sundry trading income). The question is then - what date to pick as commencement of the business?

Q 8 - What are taxpayers' experiences of interacting with different government departments when starting self-employment?

- 14 A majority of IFA members (67%) feel that other government departments should be obliged to share details with HMRC of individuals who have received help/support on becoming self-employed.

Q9 – Do you agree that chapter 3 sets out the challenges presented by the current registration system? Are there others?

- 15 There are a number of taxpayers who don't realise that their engager/customer has treated them as self-employed, or who believe that their engager/customer deals with all of the tax.
- 16 A small number of new clients have English language difficulties which mean there is a barrier to understanding HMRC's online materials. HMRC should make it easier for such taxpayer to give temporary authorisation for accountants to assist them.

Q 10 – Are these the right options for changing the obligation? Which is better? Are there others?

- 17 The vast majority of IFA members (84%) feel that the obligation to register for ITSA should be linked to the date the trading or letting commenced. Only 16% felt that linking to the point a turnover threshold was breached was a sensible approach.

Q 11 - What is the right period after the start of the new self-employment or property income for the obligation to be triggered?

- 18 Where the obligation to registered for ITSA is time-based, the most popular deadline for registering is three months after the commencement of the business.
- 19 If the obligation to register for ITSA is linked to a turnover threshold, IFA members were equally split as to whether that threshold should be:
 - £1000 (aligning with the sundry trading / property allowances) or
 - £10,000 (MTD threshold for a single trade).

Q 12 - Do these ideas for using intermediaries and third-party data to improve tax registration merit further exploration?

- 20 Over 90% of the IFA members surveyed are in favour of taxpayers being able to register for ITSA through their online personal tax account – to be developed into the single customer account.
- 21 A smaller percentage (67%) of IFA members would like to see accounting software and app providers be required to build ITSA registration functions into their products.
- 22 The IFA members surveyed were less enthusiastic about other third-parties (e.g banks, insurance companies, licence providers) being involved in the ITSA registration process. Only 25% thought that these third parties should be obliged to share details of their customers with HMRC. However, 37% of IFA members thought that such third-parties should be required to add a link to the ITSA registration in their service application process.

Other ideas for improving the ITSA registration process

- 23 We asked IFA members what else could be done to improve the ITSA registration process, and they made these suggestions:
 - Allow tax agents to register clients from the agent's HMRC gateway/ ASA.
 - Allow agents to register clients for ITSA from the practice management software.
 - If agent registers client for ITSA online that agent should automatically be authorised to act for the client and be informed of the UTR number by HMRC.

- HMRC to trust tax agents more and provide direct access in the way of telephone lines and dedicated emails.
- Allow employed clients to register for ITSA and not assume that all applicants are self-employed.
- Make the process more user-friendly and simpler online.

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